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BUSINESS WEEK

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A McGRAW-HILL PUBLICATION

TWENTY-FIVE CENTS

JUNE 29, 1957

The New Europe

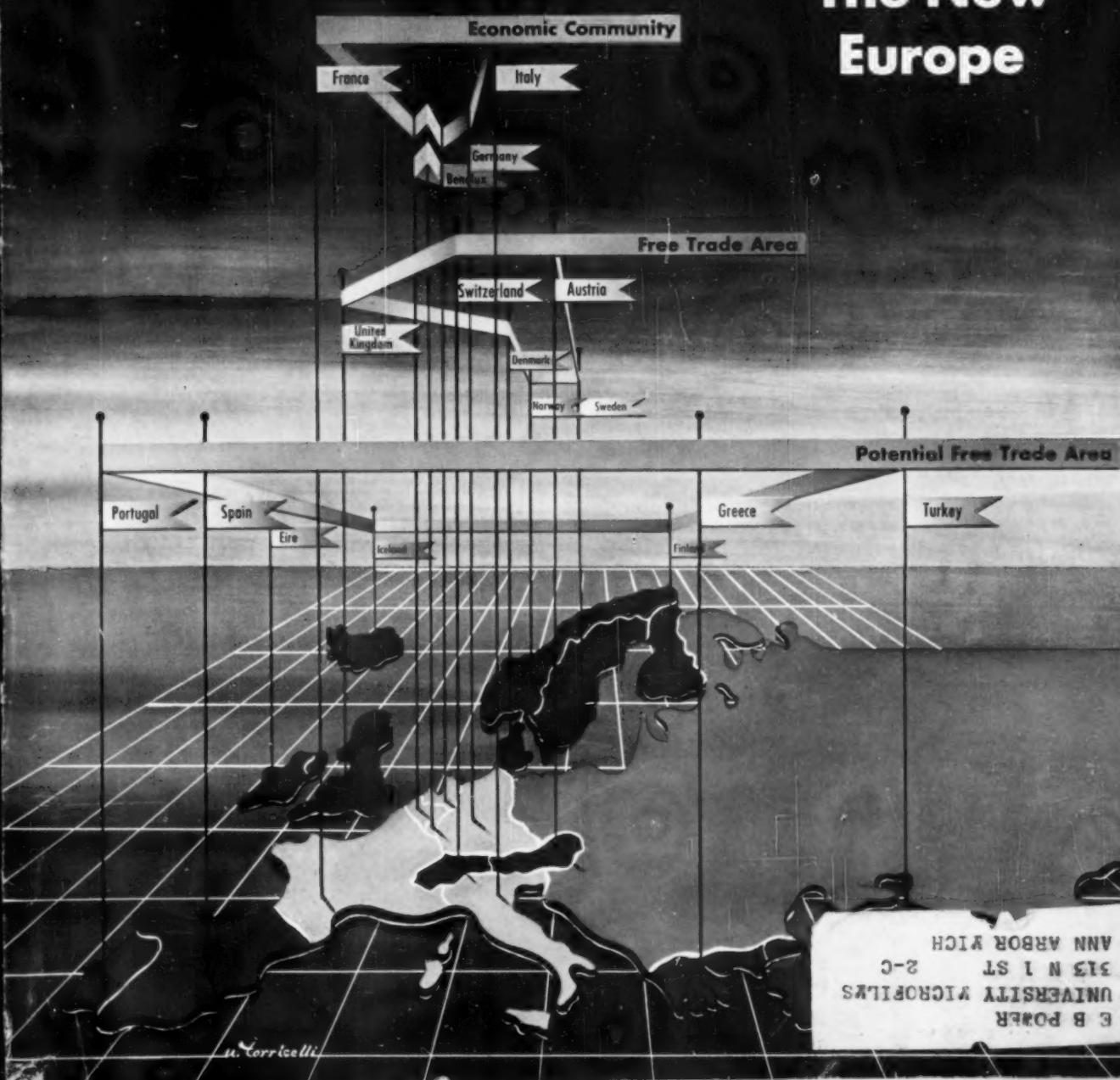




Photo courtesy Bowman Manufacturers, Inc., Little Rock, Arkansas

New way to keep a boat in "Trim"

A sparkling result of a manufacturer's aim to put more pleasure into pleasure craft is the sleek speedster shown above.

Just one of its many innovations — ranging from the reinforced plastic hull down to the smallest detail — is the new kind of coaming on the cockpit. It's made of extruded PLIOVIC and serves beautifully as both a decorative and protective trim. Moreover, it stays soft and flexible, never needs a painting, cleans like a dish — and defies the effects of wear, weather, age, salt spray, gasoline and oil.

A special grade of PLIOVIC is used in making this trim strip. It's a resin designed and made for easier processing at lower temperatures and for smooth extrusions at high speeds. The end results are a product of superior physical properties and lower cost.

Keeping boats in trim longer and with less effort is just one of many uses for extruded PLIOVIC. As gasketing, tubing, wire covering, welting, spline trim or bumpers, PLIOVIC finds its way into a variety of products — wherever bright clean colors, long life, ease of maintenance plus resistance to wear, weather, water or chemicals are desired.

Why not learn how extruded PLIOVIC can help your product? You can, simply by writing to:
Goodyear, Chemical Division, Dept. G-9415, Akron 16, Ohio.

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PLIOVIC
vinyl resin



GENERAL BUSINESS

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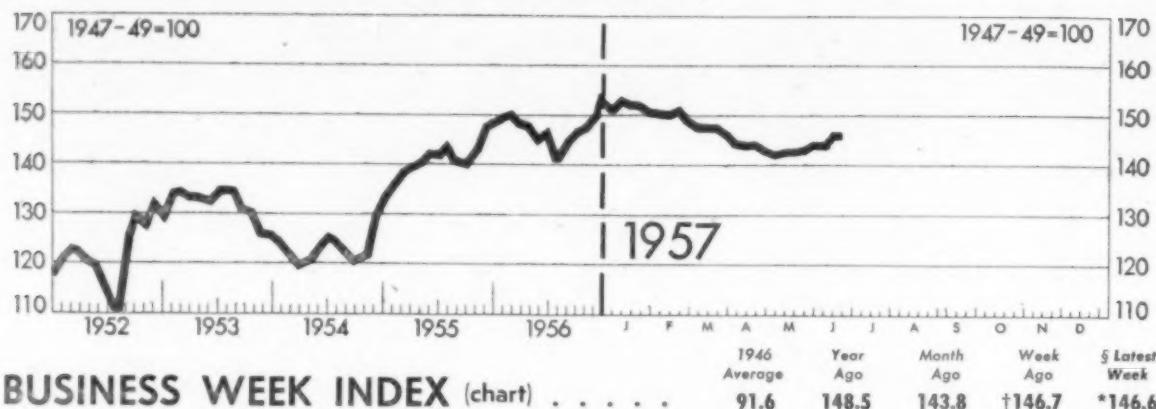
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FIGURES OF THE WEEK



BUSINESS WEEK INDEX (chart)

1946 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
91.6	148.5	143.8	+146.7	*146.6

PRODUCTION

Steel ingot (thous. of tons).....	1,281	2,114	2,252	12,181	2,220
Automobiles and trucks.....	62,880	139,728	158,654	+156,224	151,961
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.).....	\$17,083	\$70,503	\$57,529	\$66,528	\$67,886
Electric power (millions of kilowatt-hours).....	4,238	11,478	11,574	11,958	12,337
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	7,056	7,457	7,294	7,238
Bituminous coal (daily av., thous. of tons).....	1,745	1,687	1,601	1,670	1,717
Paperboard (tons)	167,269	281,176	282,388	287,444	275,348

TRADE

Carloadings: miscellaneous and l.c.l. (daily av., thous. of cars).....	82	73	67	67	68
Carloadings: all others (daily av., thous. of cars).....	53	60	53	55	56
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	131	120	+125	128
Business failures (Dun & Bradstreet, number).....	22	245	309	265	241

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	414.3	413.4	426.0	424.2
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	93.8	92.8	93.4	92.9
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	80.1	82.3	84.1	84.4
Print cloth (spot and nearby, yd.).....	17.5¢	18.9¢	17.9¢	17.9¢	17.9¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	158.2	174.4	174.3	174.3
Scrap steel composite (Iron Age, ton).....	\$20.27	\$44.83	\$47.50	\$56.17	\$54.83
Copper (electrolytic, delivered price, E & M, lb.).....	14.045¢	45.720¢	31.615¢	31.155¢	29.240¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.10	\$2.24	\$2.24	\$2.17
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	36.42¢	33.93¢	+33.97¢	33.98¢
Wool tops (Boston, lb.).....	\$1.51	\$1.76	\$2.22	\$2.22	\$2.22

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	46.70	46.99	+48.06	47.12
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	3.76%	4.56%	4.64%	4.67%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	%-1%	3% %	3% %	3% %	3% %

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	56,905	55,151	56,448	56,276
Total loans and investments, reporting member banks.....	††71,916	86,336	85,626	86,754	87,670
Commercial and agricultural loans, reporting member banks.....	††9,299	28,916	31,328	31,519	32,463
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	27,055	25,114	25,690	25,633
Total federal reserve credit outstanding.....	23,888	25,779	25,070	24,988	25,424

MONTHLY FIGURES OF THE WEEK

Cost of living (U. S. Dept of Labor BLS, 1947-49 = 100)..... May	83.4	Year Ago	Month Ago	LATEST Month
	83.4	115.4	119.3	119.6

* Preliminary, week ended June 22, 1957.
† Revised.

†† Estimate.
** Ten designated markets, middling 1/2 in.

§ Date for 'Latest Week' on each series on request.

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The Telephone Waveguide is one of the many new things that will help to give you better, faster service. We expect a pair of these specially designed tubes may be capable of transmitting electrical waves vibrating up to 70,000 million times a second and may carry as many as 400,000 telephone conversations or hundreds of TV pictures at one time.

The Future Holds Great Promise

There is far-reaching growth ahead for the telephone business, with many new things for telephone users.

Telephone growth has been tremendous in recent years. And there is much more to come.

Since 1940 the number of households in the United States has increased about one-third. But here's a significant fact. The number of households with telephones has increased over two-and-a-half times!

The future increase in population alone will bring new growth to the telephone business. But there will also be a greater use of the telephone and more telephones around the house. This will be accelerated by new services and equipment for every need and location.

An important part of our service in the not too distant future will be a wider range of telephones from which our customers can choose. They will be of varied sizes, styles and colors for the particular needs of the living room, bedroom, kitchen, recreation room, etc.

Recent major developments in new and improved service give promise of much future growth.

The inauguration of service on the underseas cables to Great Britain and to Alaska has already brought large increases in traffic. Another cable system is under construction from the United States to Hawaii.

The coming years will also see a great increase in the use of Bell System lines for data transmission. Another new and growing field is the transmission of special TV programs over closed circuits to theaters, hospitals, branch offices, etc.

Each new development means not only better service for the public and business but broader opportunities for the telephone company. As we make our services more convenient and valuable, we also increase their use by more and more people.

Working together to bring people together
BELL TELEPHONE SYSTEM



FLASH... an *Original Idea!



**You Can
Count On...
to Pay Off!**

It's the **Original Equipment* idea . . . which simply means that, when you're figuring on electrical or mechanical counters in any new product, it pays to *design them in, when you begin*.

For then Veeder-Root quite likely can save you time and money by adapting or modifying a standard counter to your needs, instead of a special which you might specify on your own. This solves the counter problem . . . and saves you time in engineering, purchasing and assembly.

What's more, you give your product new sales-advantages: Direct-reading digits, instead of hard-to-read dials and verniers . . . instant remote indication if needed . . . up-to-the-minute performance records that serve as a basis for production-Control, and as proof of your performance guarantee. So don't let counters take a back seat in your new-product plans. *Design them in, when you begin* . . . it pays in many ways. Do you have the newest Veeder-Root Catalog? Write



Series 1205
Reset Magnetic Counter

**Everyone
Can Count on
Veeder-Root
INCORPORATED**

Hartford, Conn. • Greenville, S. C. • Chicago • New York

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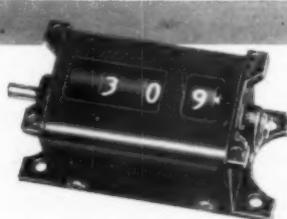
Offices and Agents in Principal Cities



Series 1380
Box-Type Counter (Ratchet,
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4-bank Counter for
Radio Transmission Equipment



360-degree Bearing Counter

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BUSINESS WEEK • JUNE 29, 1957 • NUMBER 1452

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READERS REPORT

Success Came Late

Dear Sir:

The recent death of A. P. Warner of Beloit, Wis., known as the inventor of the magnetic speedometer, is an excellent example of what seemed doomed to failure being turned into a tremendous success. Few remember that his device was made and put on the market for an entirely different purpose some years before we had automobiles to use speedometers. The device was known as a "cut-meter" and was designed to show machine operators the surface speed of the materials they were turning or boring, in a lathe or other machine tool. We had just begun to be "speed-conscious" as to time taken for machining metal.

The cut-meter had a small rubber-tired wheel which was held against the work and showed the surface speed at which it was running. It was advertised in the AMERICAN MACHINIST and other mechanical papers and had, I was told, worked up a business of one or two thousand instruments a year. I do not recall the selling price. The sales however were not enough to maintain a paying business and Warner was considering the advisability of stopping its manufacture.

Then the automobile came along and Warner was bright enough to see that the same mechanism could be utilized in a device to show the speed of any car. Warner deserves great credit for seeing its possibilities in a different field and millions of automobilists have benefited by his invention and versatility. It was an excellent example of turning failure into success due to adaptability in his mental processes.

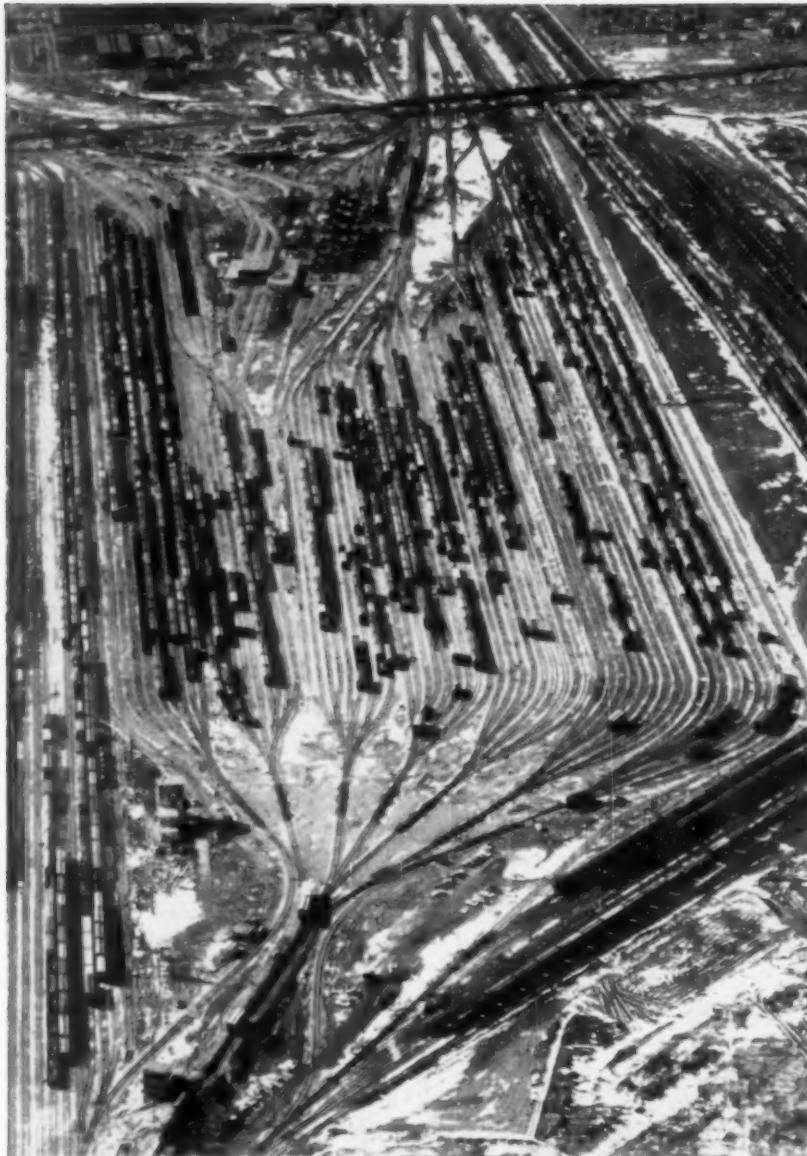
FRED. H. COLVIN
POINT PLEASANT BEACH, N. J.

Another Tip

Dear Sir:

Tips on how to get the most out of the home air-conditioning system [BW—May 18 '57, p 170] are fine but we think you forgot the most important factor—adequate insulation.

By this we mean, generally, six inches in ceilings, three inches plus insulating sheathing in walls and one or two inches around the slabs or in the crawl spaces of houses without a basement. All other factors are meaningless unless, first of all, the house is adequately insulated. Nationwide tests indicate



Cars rolling down the 20-foot "hump" (foreground) are electronically guided into one of 63 sorting tracks. Completed trains move to departing yard, then onto the main line.

What's

Cut about two-thirds off the time it used to take the average shipment to travel through the busy New York Central rail junction at Buffalo . . . and you'll know what the railroad's recent \$10½-million investment there means to you.

The money went into 180 acres of electronic freight yard alongside the Central's main line in the Frontier section east of the city.

This one sprawling yard—rushed to completion in only eight months—replaces seven minor freight classification centers and one major freight terminal in the Buffalo area.

300% Speed-up

Your freight moves through the new



Towerman at Frontier Yard receives teletype list of all cars on incoming train. Included is a carload of valuable merchandise for Cleveland.



Cleveland-bound car starts over the hump to classification tracks after thorough mechanical inspection. Car repair facilities are maintained right in the yard.



Automatic retarders below the hump gauge "rollability" . . . then slow car for coupling.

new on the New York Central

New electronically controlled *Frontier Yard* moves freight 3 times faster—with push buttons

Frontier Yard 300% faster than the time it used to take to zigzag through classification in Buffalo. This phenomenal speed-up is largely the result of push buttons, remote control, savvy operation . . . and progressive management.

Fingertip control

From the time your freight enters the yard until it's outbound for its ultimate destination, *human hands hardly touch it*.

Classification movements for the 60-odd freight trains that come into the area daily are handled by push button . . . or on light or radio signal from the main control tower.

The rolling characteristics of each car are figured automatically by radar

located on the hump, so that automatic retarders may apply proper braking action. Cars are switched to the proper outgoing track by an electronic brain with a faultless memory for instructions . . . and coupled gently to other waiting cars bound for the same general destination. Then cars are moved to one of 21 departure tracks . . . where they are picked up by waiting train crews.

Almost 6,000 cars may be accommodated in the yard at one time, and 2,750 of them will be classified in an average 24-hour period. Yet a sur-

prisingly small crew controls them all—thanks to the battery of electronic aids.

Frontier a pioneer

And Buffalo is just the beginning. Two more automatic yards—costing a total of \$21,000,000—are going up now in Elkhart, Ind., and Youngstown, Ohio.

These are just a few of the many new developments on the New York Central that will enable you to ship better and faster than ever . . . at no extra charge to you. Ask our freight salesman to tell you about them.

Route of the "Early Birds"—

New York Central Railroad



Last car goes down the hump to join newly made-up train which includes Cleveland shipment. Main east-west tracks this train will use pass just south of the yard.



Train pulls out for Cleveland and Ohio points—just one hour and twenty minutes after Cleveland-bound merchandise arrived in Buffalo from the East.



Night and day operation continues . . . at the rate of one car every 30 seconds!

Portion of urethane foam continuous process unit, F. Burkart Mfg. Co., St. Louis, Mo.

more URETHANE

In these ways:



For relaxable cushioning, soft to the touch, yet not bouncy.



As padding for bulkhead and doors, carpet underlay and seating.

Because of these advantages:



So tough it hog-rings to seating springs without backing support or fabric liners.



Elasticity, durability and structural strength unmatched by any other foam material.

... Plus Functional Utility ...

In addition to the above uses, industry leaders are specifying urethane foam for sound and thermal insulation, underlay, footwear, sporting goods, household items, and dozens of other uses because it can be heat-sealed, hot-wire or die-cut, flocked and colored; it's shock-absorbent, density-controllable, resistant to cleaning chemicals, soaps, fire, mildew, heat, cold, abrasion.

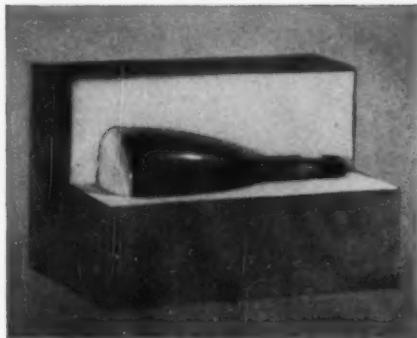
Join the leaders! If your products call for cushioning, padding or insulation, you can improve their design, lower costs and expand your markets with urethane foam. Remember sales rule #1 "If you wait 'til your customers ask for it, they're already shopping elsewhere."

and more

FOAM is being used



As supple, light-weight interlining
for outerwear.



As economical protection for shipment
and storage of precision equipment.



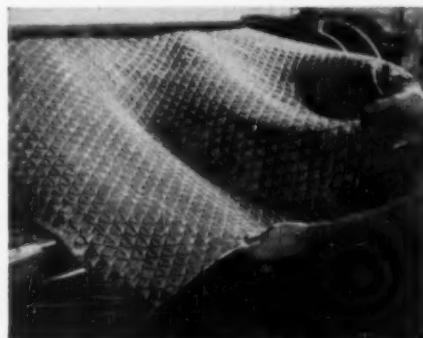
Molded safety dash panels and sunvisors
for shock absorption and cushioning.



So easy to fabricate, it cuts with ordinary
scissors or power-driven pattern cutters.



Feather-light, shock resistant
—a wide range of densities,
resiliencies and toughness.



Slices so thin it has the drape and
feel of velvet . . . quilts to fabrics
with standard equipment.

Mobay provides chemicals and technology for the manufacture of urethane foams by licensed producers. Write today for further information and sources of supply.



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First in Urethane Chemistry

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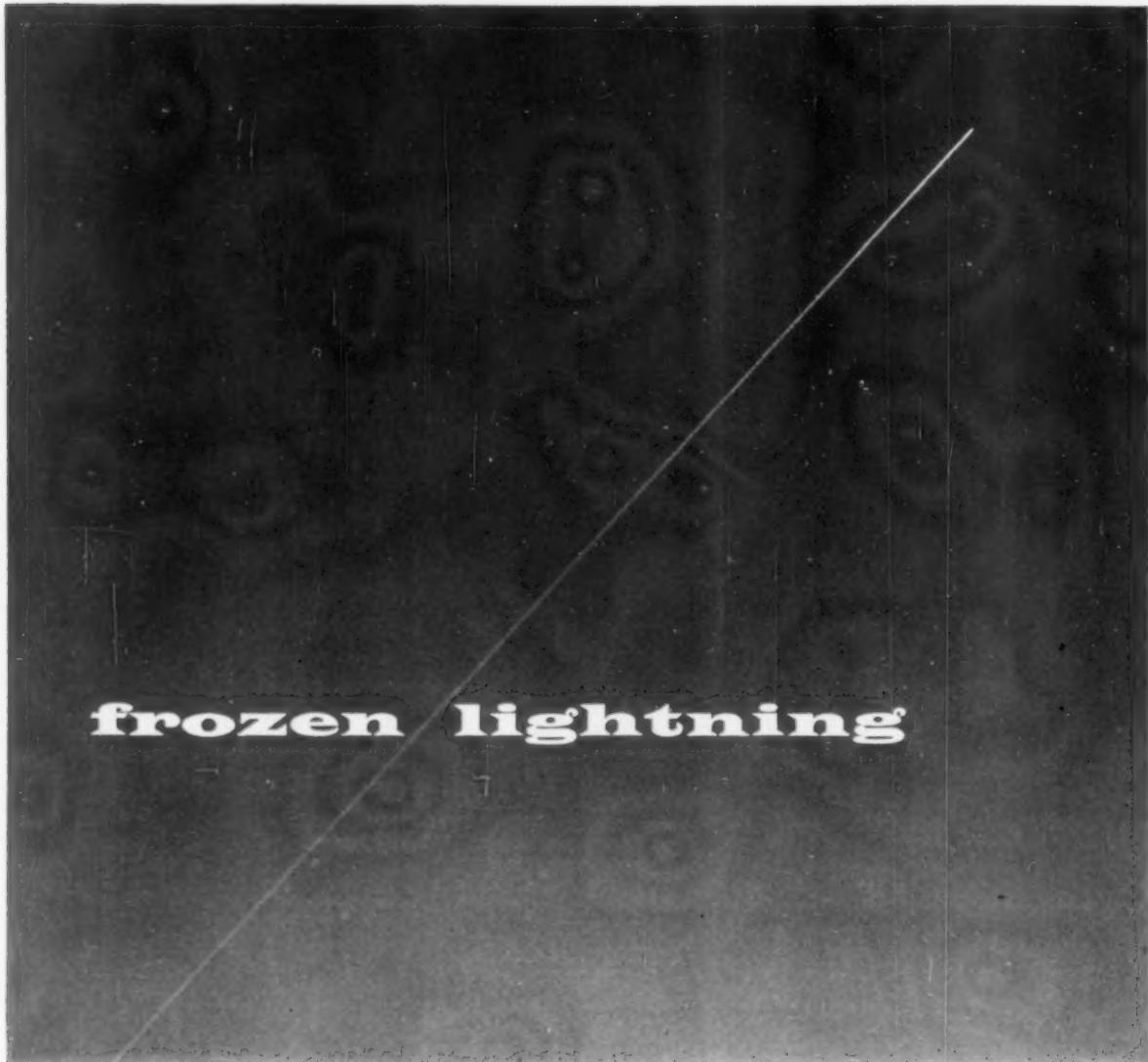
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Please send literature on flexible urethane foams

Please have representative call on me

Name _____

Address _____



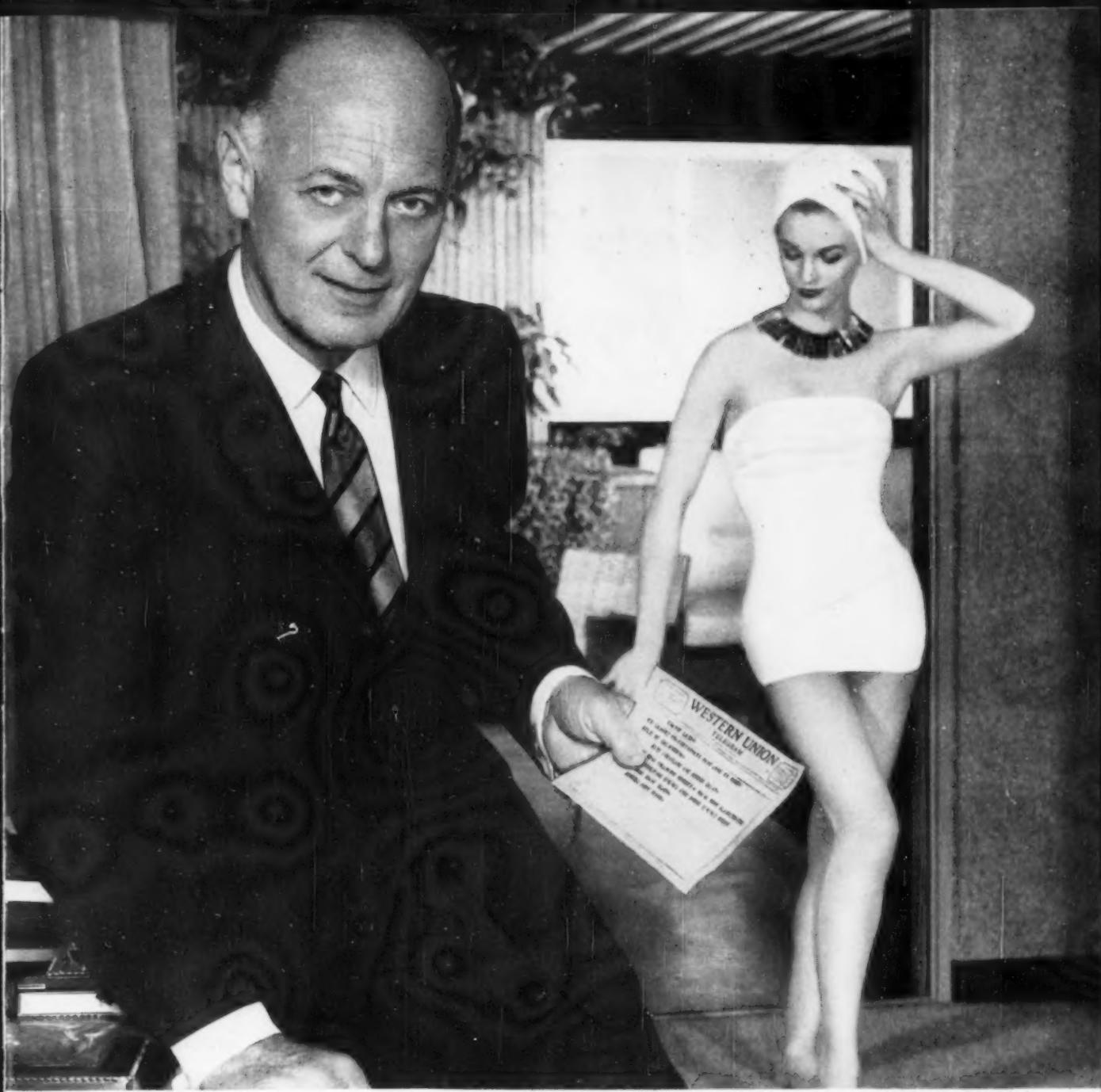
frozen lightning

New handwriting on the sky challenges nation's Specialty Steel producers
Upper atmosphere trails from V-2 rockets were called "frozen lightning" by the Germans. Soon our own skies will be criss-crossed with frozen lightning from Mach 4-5 aircraft now under development. At 3,000 mph, thermal problems are multiplied by two kinds of heating — aerodynamic outside and engine operation inside. Engine builders, airframe and fastener manufacturers and forging shops are seeking the answers from Carpenter. For on this frontier, everything that Carpenter stands for comes into play. Consistent quality and uniformity . . . improved forgeability . . . better finishes . . . easier fabrication and advanced research. Little wonder that all America looks with keen interest at what Carpenter is doing today . . . for tomorrow. The Carpenter Steel Company, 140 W. Bern St., Reading, Pa.

Carpenter STEEL

Specialty tool, alloy and stainless steels for critical applications





Fred Cole, President, Cole of California, as photographed by Mead-Maddick

Fred Cole shows beautiful figures with telegrams

"Reorders are the profitable part of our business," says Fred Cole, President of Cole of California, "and they could not exist without Western Union! Here's why: swimsuit sales are as sensitive as a barometer to changes in weather. Last summer, for instance, a hot spell in Cleveland brought a run on suits. Store buyers there reordered 101 dozen by wire; we acknowledged by return wire, giving shipping times as well. You just can't beat the telegram for getting business done fast—and in writing!"

More than a million times a day, business finds it wise to wire. Telegrams quote prices, confirm orders, route shipments. Speed plus the written record make the telegram essential to business.

WESTERN UNION 

ON ANY OCCASION ...

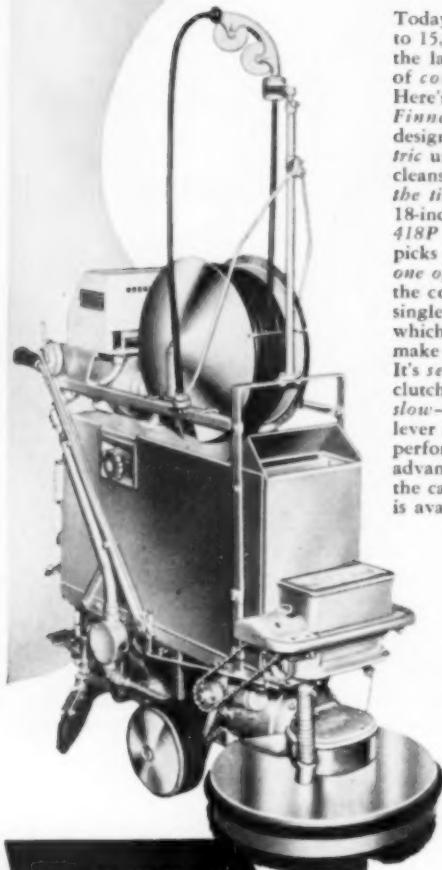
IT'S WISE TO WIRE!

SMALL-AREA BUILDINGS...

Save $\frac{2}{3}$ of Every Hour of Scrubbing Time

WITH A

COMBINATION SCRUBBER-VAC!



Today, even buildings with but 2,000 to 15,000 sq. ft. of floor space can reap the labor-saving, cost-reducing benefits of combination-machine-scrubbing. Here's a Combination Scrubber-Vac, Finnell's 418P at left, that's specially designed for such buildings. This electric unit, with its 18-inch brush spread, cleans floors in approximately one-third the time required with a conventional 18-inch machine and separate vac. The 418P applies the cleanser, scrubs, and picks up (damp-dries the floor)—all in one operation! Maintenance men like the convenience of working with this single unit...the thoroughness with which it cleans...and the features that make the machine simple to operate. It's self-propelled, and has a positive clutch. No switches to set for fast or slow—slight pressure of hand on clutch lever adjusts speed to desired rate. Vac performs quietly. The 418P also serves advantageously in larger buildings for the care of floors in narrow aisles, and is available on lease or purchase plan.

Finnell makes Scrubber-Vac Machines for small, vast, and intermediate operations, and in gasoline or propane as well as electric models. From this complete line, you can choose the size and model that's exactly right for your job. It's also good to know that a Finnell Floor Specialist and Engineer is nearby to help train your maintenance operators in the proper use of the machine and to make periodic check-ups. For demonstration, consultation, or literature, phone or write nearest Finnell Branch or Finnell System, Inc., 3806B East St., Elkhart, Ind. Branch Offices in all principal cities of the United States and Canada.

FINNELL SYSTEM, INC.
Originators of
Power Scrubbing and Polishing Machines



BRANCHES
IN ALL
PRINCIPAL
CITIES

savings on year around air-conditioning costs will pay for maximum insulation within five months to three and one-half years; comfort of occupants is always increased and smaller air-conditioning units may be employed.

TYLER S. ROGERS
TECHNICAL CONSULTANT
OWENS-CORNING FIBERGLAS CORP.
TOLEDO, OHIO

Three Divisions

Dear Sir:

I noted with interest your article on the financial problems of Gruen Industries in your May 11 issue, page 105. While the greater part of the article is essentially correct, to the best of my knowledge, there is one . . . error . . .

The Electronics Division referred to in your column does not exist as such. Instead, the defense products activities of Gruen are carried out in three divisions, namely, the Research and Development, Precision Products and Electronic Products Divisions.

. . . The Electronic Products Division is the only one of the three to operate at a profit, even though it was started in January, 1956, when the first electronic production contracts were obtained. In spite of the difficult cash situation, it has successfully produced and delivered radar equipment and inertial test equipment within 12 months after it had been started from a nucleus of three people. This division now has a current backlog of business sufficient to carry it through the next 12 months, primarily in the electronic test equipment field.

G. C. SCHUTZ
DIVISION MANAGER
THE GRUEN WATCH CO.
CINCINNATI, OHIO

Realistic Summary

Dear Sir:

Your article on page 50 of the June 8 issue, entitled What the Bombs Are Sowing is an excellent report on the recent Congressional hearings on fall-out. This Laboratory's Scientific Director, Dr. Paul C. Tompkins, was a full-time consultant to the committee during the hearings and has reviewed them with us here at the laboratory. He is presently in Washington assisting the Joint Committee on Atomic Energy in preparing its summary report. Your article very well summarizes many of the major points of the hearings, as reported to us by Dr. Tompkins. Since much conflicting testimony was presented at

"I'm sure another bank will be glad to accommodate you"



"That's all well and good," Peterson's thinking, "if there *were* any other banks." But he's been to them all. And no one wants to lend him the money.

Yet his plant is full of orders. Substantial ones, too, considering its size. Trouble is, most of them are unfinished . . . still in-process. Result: a weak cash position. And, these days, bankers shy away from *that* kind of risk.

If only Peterson had known about the Keysort Plant Control Plan! With daily PCP reports before him, he could have held in-process inventory to a minimum.

The tighter scheduling made possible by PCP would have speeded and steadied production flow. Result: earlier deliveries, cash coming in faster, a sounder borrowing position.

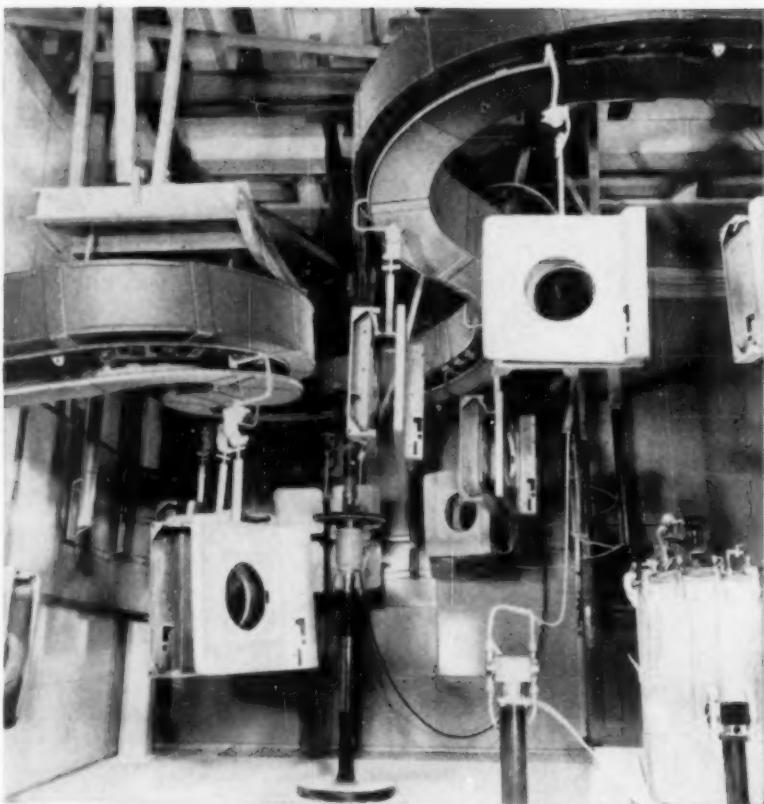
With just five fast, accurate Keysort PCP reports—1 daily, 2 weekly, 2 monthly—you can obtain complete modern management control of your business and your profits. At remarkably low cost.

The McBee man has a presentation which will show you how it's done. Phone him, or write us for illustrated folder containing an example of each report.

McBEE  **KEYSORT.**[®]

Punched-card accounting for any business

Manufactured exclusively by **The McBee Company, Athens, Ohio** • Division of Royal McBee Corporation
Offices in principal cities • In Canada: The McBee Company, Ltd., 179 Bartley Drive, Toronto 16, Ontario



Adjustable Spiral Conveyor replaces the man with the spray gun

A man, spray coating parts, swings his gun from side to side and works from top to bottom. MHS has duplicated, mechanically, this top-to-bottom movement in electrostatic paint booths with single fixed heads. A specially designed conveyor carries the parts in a rising spiral around the head and a smooth, even coat is produced.

The spiral may be adjustable, to accommodate production of longer or shorter parts.

This simple solution of a problem illustrates the MHS approach to mechanized production. Our engineers look for practical ways to bring greater efficiency, economy and productivity to our customers' plants through scientific automatic materials handling. Take advantage of 38 years of experience and success. Call in the MHS engineer.



**Mechanical Handling Systems Inc.
AND SUBSIDIARIES**
Manufacturing Engineers
4610 Nancy Ave., Detroit 12, Michigan
Offices in Principal Cities
FACTORIES: Detroit, Mich. • Fairfield, Iowa • Albany, N. Y. • Windsor, Ontario

the hearings, a short realistic summary of them as in your article is indeed difficult to write. I wish to offer my sincere congratulations on this fine piece of journalism.

EUGENE P. COOPER
ASSOCIATE SCIENTIFIC DIRECTOR
U. S. NAVAL RADILOGICAL DEFENSE
LABORATORY
SAN FRANCISCO, CALIF.

Only 8% Drop

Dear Sir:

We are pleased that you find newsworthy the F. W. Dodge Corp. construction contract statistics.

As you have an established reputation for reporting, we are calling to your attention a typographical error on page 46 of the June 1 issue of BUSINESS WEEK.

Quoting F. W. Dodge Corp. construction contract statistics for April 1957, you state that residential building dropped 20%. Actually non-residential building dropped 20% while residential construction contracts fell only 8%.

DANIEL J. HOWE, JR.
PUBLIC RELATIONS DIRECTOR
F. W. DODGE CORP.
NEW YORK, N. Y.

More to Mention

Dear Sir:

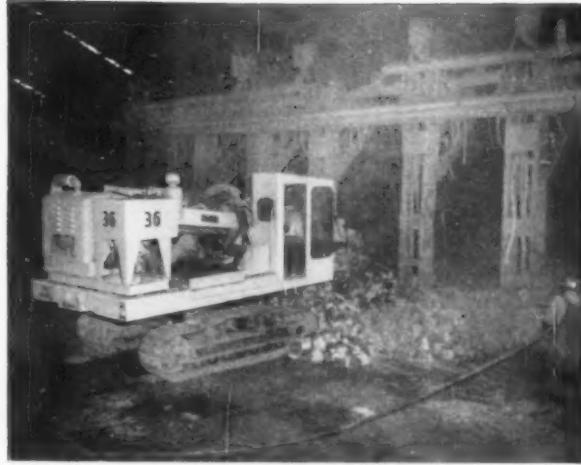
Your article on Allied Chemical & Dye Co., Staid Chemical Giant Shifts into Higher Gear [BW—Jun. 1 '57, p68] is very interesting and well written, but all too brief.

You mention expanded research, new products and coordination between divisions, but fail to mention the Central Research Laboratories and the General Chemical Research Laboratories who are doing continuous research to unearth new products, new processes and to improve old products and processes. You also fail to mention the Central Engineering Group where design and development is carried on to develop and build new equipment and to improve existing equipment.

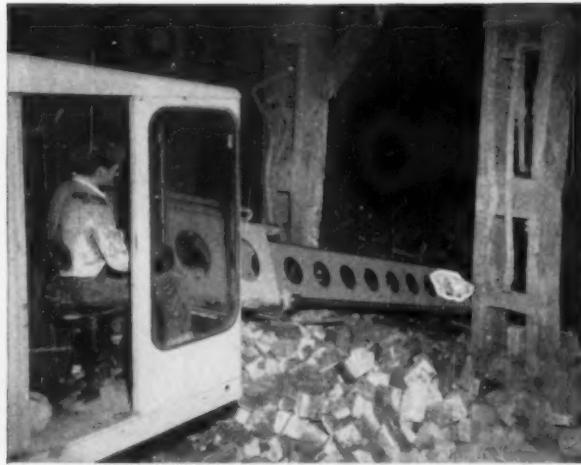
These facilities, located in Morristown, New Jersey, are doing a magnificent job in developing new products, new processes and new equipment and thus bring A. C. & D. Co. into a broader market.

ISRAEL SCHIFF
SCHIFF MACHINE & TOOL CO.
MORRIS PLAINS, N. J.

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.



Gradall tearing down brick work of open-hearth furnace.



Within 2 to 3 hours, a Gradall completely removes all brick including the dropping of the roof.

Gradall cuts open-hearth downtime 75%



Digging out loose brick. One Gradall replaces a crew of 25 men who previously worked 10 to 12 hours to complete the same job.

Here's a report of the outstanding performance record of a Crawler-Mounted Gradall at a prominent steel mill:

1. Tear-down time of an open-hearth furnace reduced 75%.
2. Sharp cost reduction in furnace tear-down.
3. Furnace back in operation 22 to 24 hours quicker than with previous methods.
4. When not engaged in furnace work, Gradall cleans slag pockets and checkers; handles road maintenance, track maintenance, material handling and general mill construction work.

By adding nearly a full day's production to open-hearth furnace operation, this Gradall will more than pay for itself within a very short time.

Before investing in any other maintenance equipment, see how a multi-purpose Gradall gives you more producing hours every year.

Gradall®
DIVISION OF
© 1958 U.S. Pat. Off.



GRADALL DIVISION — Dept. B-6
Warner & Swasey Company
5701 Carnegie Avenue, Cleveland, Ohio

Please send me free folder on new methods for increasing steel production.

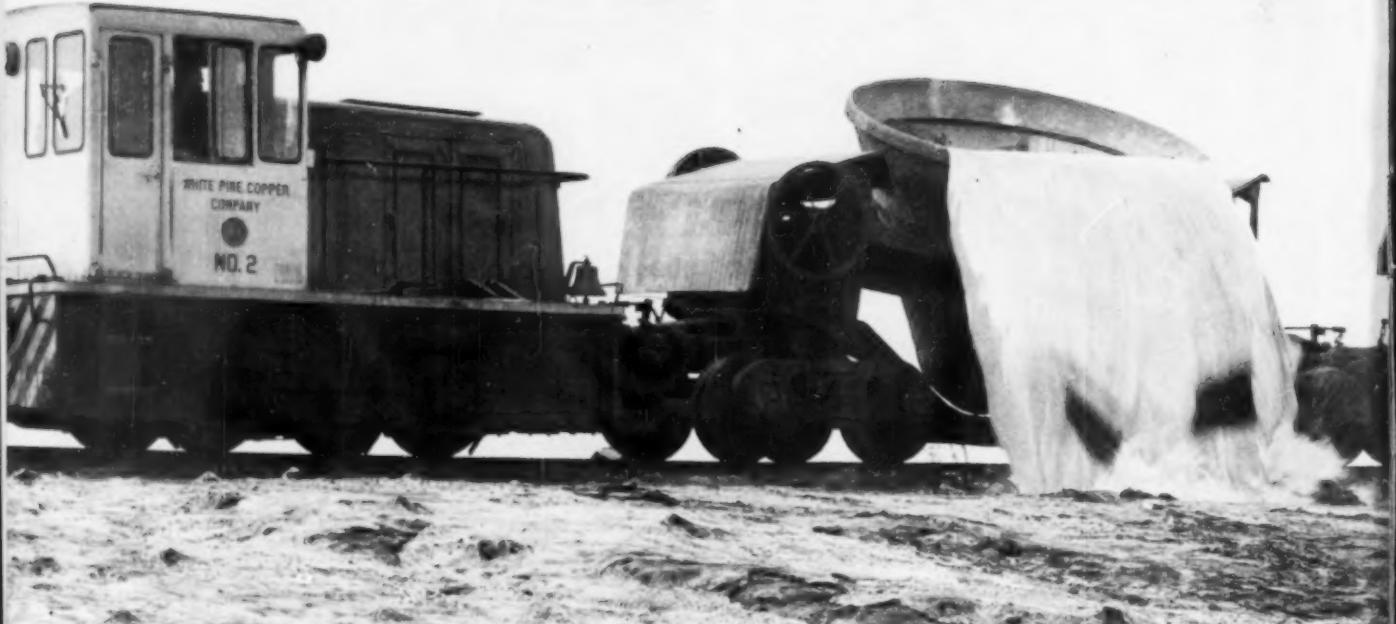
Name _____ Title _____

Company _____

Address _____

City _____ Zone _____ State _____

**YOU CAN DO IT BETTER, FASTER,
FOR LESS WITH A GRADALL**



25-TON G-E DIESEL ELECTRIC hauls 500 tons of molten slag a day for the White Pine Copper Company in White Pine, Mich.

Hauling slag from furnace tapping launders to a slag dump is a rugged job and it demands a rugged locomotive.

In most plants, if you:

- **Move loads, large or small**
- **Have track on the premises**
- **Use haulage vehicles . . .**

YOU CAN LOWER GENERAL ELECTRIC'S



45-TON G-E DIESEL ELECTRIC saves the expense of costly maintenance for the Pullman-Standard Car Manufacturing Co.,

Michigan City, Ind. In all, five G-E locomotives handle Pullman-Standard's haulage loads at Michigan City.



SUPER 80-TON G-E DIESEL ELECTRIC helps Pacific Lumber Company of Scotia, Calif., to move 1800 tons of lumber daily.

Users are finding that the Super 80-tonner can pull more for its weight than any other industrial locomotive available today.

PLANT HAULAGE COSTS WITH ONE OF 7 STANDARD INDUSTRIAL LOCOMOTIVES

In many industrial haulage jobs, you'll get more economical and efficient service when you use a locomotive . . . especially when it's designed specifically for industrial haulage operations. From 25 to 88 tons, General Electric's seven standard locomotive sizes assure you the right motive power to meet your plant's requirements.

If your company now moves loads by any other form of plant haulage vehicle, you should consider the advantages of lower haulage costs and improved haulage efficiency from the use of a General Electric locomotive matched to your specific needs.

For a survey of your requirements, without cost or obligation, contact your G-E Apparatus Sales Office now. General Electric Company, Locomotive & Car Equipment Dept., Erie, Pa.

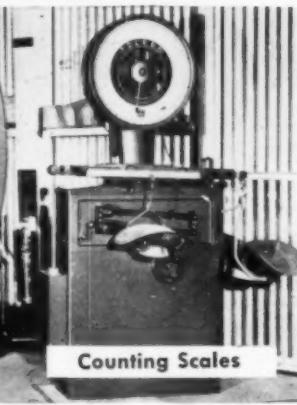
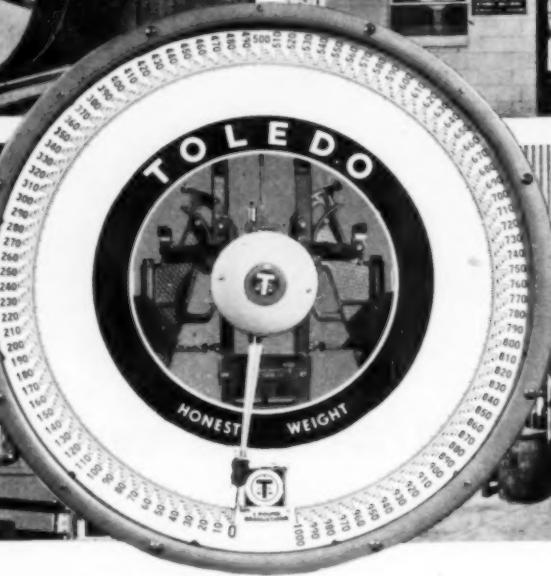
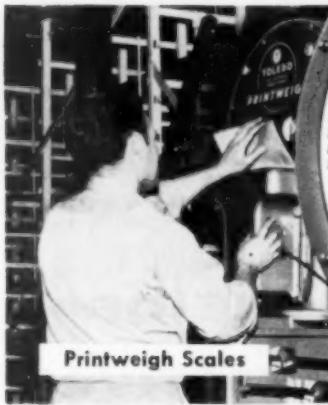
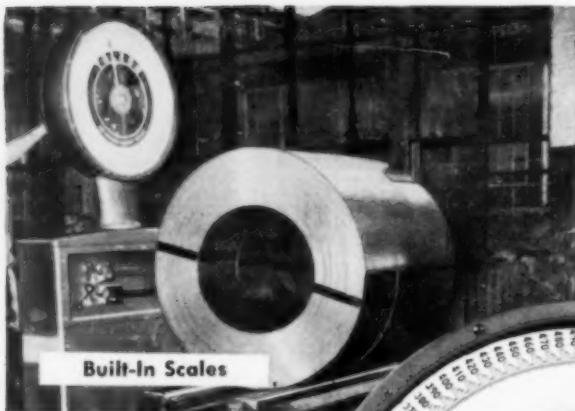
120-92

A FREE G-E MOTIVE POWER SURVEY for your plant, at no obligation to you, will provide you with a frank appraisal of whether or not a locomotive would be best for your haulage needs. If it would, G-E specialists will be able to suggest the right size to meet your requirements.



Progress Is Our Most Important Product

GENERAL  **ELECTRIC**



THIS FAMILIAR FACE . . . helps solve plant-wide cost control problems *Everywhere!*

This "face" identifies dependable, versatile Toledo scales. You'll see it plant-wide wherever management sees weighing in its true perspective—as a vital element in the overall cost control system.

This means the right scales in the right places . . . to supply basic accounting records of materials received, processed, shipped or transferred. Weight records directly affect costs, inventory, quality and customer relations. They are fundamental to sound cost control. Today's pressure on profits

calls for integration of weighing in a *plant-wide weighing system*.

To learn the job your scales are now doing, we invite you to send for the new Toledo Weight Fact Kit. It will help you determine how well your scales measure up as a weighing system—help you detect weighing inefficiencies that drain profits. **REQUEST YOUR WEIGHT FACT KIT NOW.** No obligation. Address Toledo Scale Company, 1400 Telegraph Road, Toledo 1, Ohio.

TOLEDO®

HEADQUARTERS
FOR SCALES

CUSTOM PRODUCTS FOR INDUSTRY



REMOTE DIGITAL WEIGHTS. Toledos automatically transmit weights to electric office machines located anywhere.



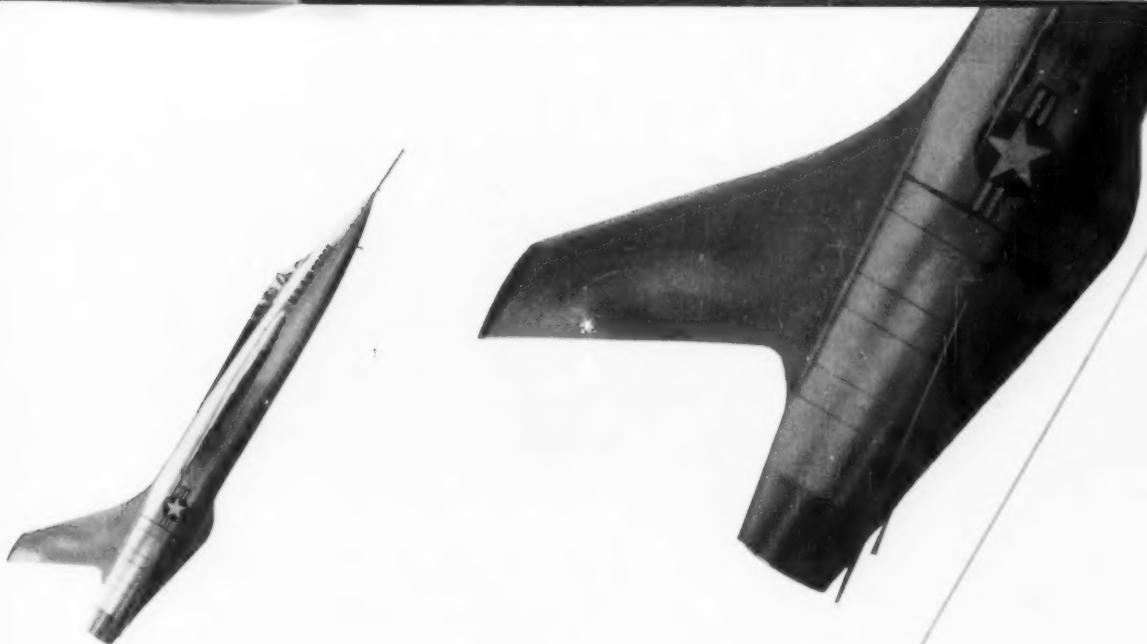
ELECTRONIC SCALES give electronic wings to weights; head may be located anywhere.



TESTING
Toledos today test a wide range of parts; this device for leaf springs.



AUTOMATIC BATCHING SYSTEMS
interlock batteries of scales.



NOW YOU SEE IT . . . NOW YOU DON'T

THE F-105

Furious speed . . . smashing primal power . . . overwhelming

persuader for peace, this new Thundercraft*, more than any
other . . . is designed to deliver Tactical Air Command's com-
posite air strikeforce knockout punch at any target, any time!

*Latest in the line . . . The THUNDERCHIEF

REPUBLIC AVIATION 

FARMINGDALE, LONG ISLAND, N.Y.

Designers and Builders of the Incomparable **THUNDER-CRAFT**



FORD MOTOR COMPANY—The Rouge plant . . . greatest industrial concentration in the world. Some of the largest *Clarklift* models are at work here, assigned the rugged task of handling steel in the Frame plant's outdoor storage area. These Clark trucks can move 17½ tons of material at a time . . . have greatly reduced the need for large storage space in the area.

HERE'S WHAT DETROIT USERS THINK OF THE NEW CLARKLIFT

Detroit is a complex industrial giant. Chemicals, metal products, electrical apparatus are part of its industry. Even salt is mined far below the city streets. And, of course, it builds almost half the nation's autos.

Because Detroit sets the fast pace of the automotive industry it is alert to new design, keen on superior mechanical performance. It is a city that provided the real acid test for *Clarklift* trucks.

Clark called on its years of experience to design theulti-

mate in a fork lift truck. After engineering and design work was complete, and many thousands of hours in the Clark laboratories and testing grounds, the new *Clarklift* was made available to the material handling industry.

"*Clarklift*," said a Detroit president, "is a fork truck that, in a sense, utilizes automotive design and performance. It has a dozen unusual features, every one of which is practical and saves effort. It is a sound investment that offers many dividends."

A test in your plant, under your specific operating requirements will prove the point. For a demonstration call your local Clark dealer (in the Yellow Pages), or write us direct.

Industrial Truck Division

**CLARK
EQUIPMENT
COMPANY**
Battle Creek 42,
Michigan

**CLARK®
EQUIPMENT**

CLARKLIFT is a trademark of Clark Equipment Company



PFEIFFER BREWING COMPANY—“We handle a lot of beer here . . . 80,000 cases a day in this plant,” says Frank Hamilton, Vice President. “We bought 5 new *Clarklifts* as part of our complete modernization program—but only after a competitive comparison. Based on our tests, we decided these were by far the most efficient machines available.”



SCOTT PAPER COMPANY—Over 160,000 cases speed through this warehouse each month. Handling the bulk of this material is a new *Clarklift*. With such standard features as finger-tip controls, an automatic transmission and faster lifting speeds, it's no wonder drivers like the *Clarklift* . . . no wonder too, it handles more work.



BELLEVUE PLATING CO—“Over 50 tons of material is plated each shift,” said Albert Betteley, Vice President. “Almost all production is automatic yet we don't have a repair shop because all our men are used in production. That's why we needed fork trucks that would require the least care. It's the main reason we chose *Clarklifts*.”



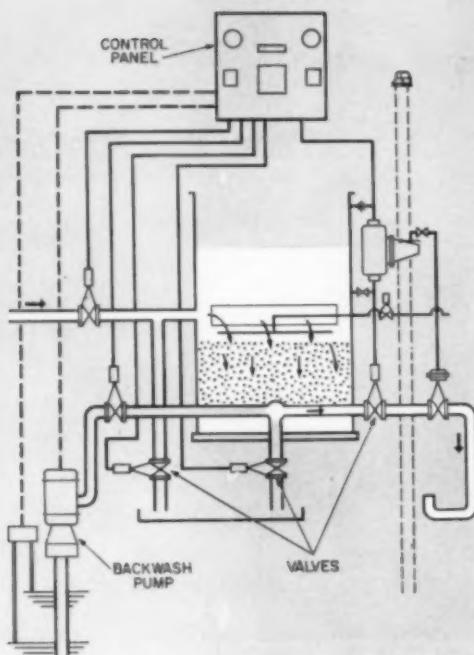
BRAUN ENGINEERING CO—“As manufacturers of steel impact extrusions, our operation is tough on handling equipment,” said Alfred Braun, Secretary-Treasurer. “This truck seems to thrive on it though . . . keeps material moving as fast as we can produce it. We use it in a dozen ways—actually would be lost without it.”



SUPERIOR SEPTIC TANK CO—“It's surprising how a big machine like this can work in such close quarters. It does exceptionally well,” reports John Francis Sr., President. “We used to have a mud and frozen rut problem until we got this truck. No problem now—it gets the work done under all conditions.”

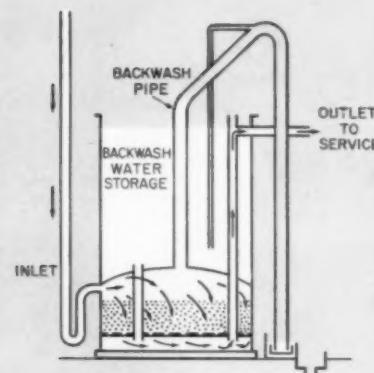
CONVENTIONAL gravity filter and hydraulic controls for automatic operation. Approximate installed cost of a unit that will filter 500,000 gallons per day:

\$21,700.00



NEW PERMUTIT VALVELESS Gravity Filter. Completely automatic operation. Approximate installed cost of a 500,000 gpd unit:

\$11,900.00



HOW IT WORKS: As dirt collects on the sand, increased head pressure slowly raises the water level in the large backwash pipe. See diagram. When it spills into the downward section of the pipe, it starts a siphon (backwash) flow that draws water down from the Storage area and up through the sand, "floating" dirt off to waste. When backwash water is gone, air enters the small tube and stops the siphon. Flow through the sand reverses and the first filtered water (rinse water) goes to Storage area until full. All flow then runs to Service.

New Valveless Water Filter Saves \$\$ for Industries, Cities, Electric Companies

- Big water users like city water departments, steam stations, refineries, chemical plants and paper mills can substantially reduce the cost of their water-conditioning equipment and its operation and maintenance . . . by adopting a new automatic Valveless Filter developed by engineers of the Permutit Company (N. Y.).

The simplified design makes ingenious use of the siphon and other hydraulic principles to replace expensive valves, flow controllers, pumps and hydraulic or pneumatic control systems. The design also prevents wasteful, excessive use of water for backwashing or rins-

ing. Tanks are shipped set-up to reduce installation costs. The absence of moving parts virtually eliminates maintenance costs.

The Valveless Filter produces uniform, high-quality water. It cannot be "forced." Backwashing or rinsing cannot be too little or too late . . . or accidentally run to Service. And the filter cannot develop common troubles like "cracked" or "upset" beds, "channeling" or "mudballs."

Single Valveless Filters or multiple units for any volume requirement are available. Present installations include

units for industrial plants treating water for both process and drinking.

Send for free descriptive bulletin. Address: The Permutit Company, Dept. BW-6, 330 West 42nd St., New York 36, N. Y. or The Permutit Company of Canada, Ltd., Toronto 1, Ontario.

PERMUTIT®

rhythms with "compute it"

Water Conditioning
Ion Exchange • Industrial Water Treatment



Get facts down cold—with the Dictaphone Time-Master *The dictating machine with the Dictabelt record*

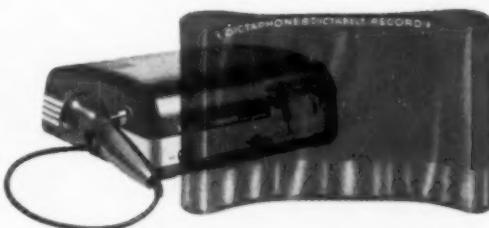
PROBLEM: nobody's memory is perfect—and neither is anybody's note-taking. Especially anybody who's busy.

SOLUTION: a Dictaphone TIME-MASTER. With it, you simply talk your notes. Done! They're recorded effortlessly, accurately, permanently on the famous DICTABELT record. The same goes for letters, memos, all your paperwork.

And it goes so fast, too. You never waste time trying to find your place—all recording is *visible*. Interruptions can't faze you either. When ready to resume work, just touch a button and you automatically hear the last line you wrote.

DICTABELT records are flat, filable, mailable as a letter. Sound quality: crystal clear. Your secretary controls tone, volume, speed when transcribing. Secretaries like that.

Call your Dictaphone office for a 10-minute demonstration, or write Dictaphone, Dept. BU, 420 Lexington Ave., N.Y. 17, N.Y.



The Dictabelt record—main reason why Dictaphone Time-Master far outsells all other dictating machines.

DICTAPHONE CORPORATION
Service you can depend on the world around

In Canada, write Dictaphone Corporation, Ltd., 204 Eglinton Ave. East, Toronto . . . In England, Dictaphone Company Ltd., 17-19 Stratford Place, London W.I. Dictaphone, Time-Master and Dictabelt are registered trademarks of Dictaphone Corporation.

To the Moon and Back.





...twice!

Over a million miles—but that's only a normal trip for crankshafts by Ohio. In routine maintenance operations crankshafts in Diesel locomotives are periodically removed for inspection. Many of them, after a million miles of service, show less than 1/1000 inch of bearing wear and are, of course, returned to service.

The Ohio Crankshaft Company is the world's leading independent producer of precision crankshafts and camshafts. Our products are used in Diesel locomotives, heavy-duty trucks, buses, ships, tractors, earth-moving equipment, and stationary Diesel installations.

What makes them last so long?

The most modern precision equipment, plus 35 years of experience go into the production of crankshafts by Ohio. Another important reason for their extra long life is the TOCCO* process of induction heating, originally developed by The Ohio Crankshaft Company as a method of providing super-hard bearing surfaces without affecting the original ductility of the crankshaft core. This method not only produces a superior product, but accomplishes in seconds what used to take hours—even days—with conventional heat treating methods.

Today, the TOCCO process has developed into a major Division of our business. Thousands of TOCCO induction heating machines are at work in all kinds of metal-working plants—heating a myriad of parts for hardening, brazing, melting, annealing and forging and forming applications.

Nearly always, when TOCCO replaces conventional heat-treating methods, the result is a better product, faster—and at much lower cost.

The Ohio Crankshaft Company

3800 Harvard Avenue • Cleveland 5, Ohio

*Trademark Registered U.S. Patent Office



**New High-Capacity
Gas Truck:**

Latest Yale development for
cutting industry's costs

Positive method for slashing overhead

You can actually slash one of your biggest costs—materials handling—as much as 75 percent. You will—with the Yale method.

Results are positive—for every industry—no matter what materials you handle, how much, how often.

Positive—because Yale offers the world's most complete, advanced and

versatile line of lift trucks and hoists.

Positive—because Yale adds the benefits of constant research, quality control manufacturing, and a big field-force of factory-trained salesmen and service personnel.

You get: fast, smooth flow of materials in your factory, warehouse or shipping area; handling equip-

ment that meets *your* specific needs; handling techniques that end daily dollar losses in time, space, effort.

You get: lower costs per unit; higher profits. It's the Yale method. It will work for you. Write to The Yale & Towne Manufacturing Co., Philadelphia 15, Pa., Dept. A-146B.

Don't wait—your business can't.

YALE*

REG. U. S. PAT. OFF.

YALE & TOWNE

INDUSTRIAL LIFT TRUCKS AND HOISTS

GASOLINE, ELECTRIC & LP-GAS INDUSTRIAL LIFT TRUCKS • WORKSAVERS
WAREHOUSERS • HAND TRUCKS • HAND AND ELECTRIC HOISTS

YALE MATERIALS HANDLING DIVISION, A DIVISION OF THE YALE & TOWNE MANUFACTURING CO. MANUFACTURING PLANTS: PHILADELPHIA, PA.; SAN LEANDRO, CALIF.

SEALED for weathering and STRESS

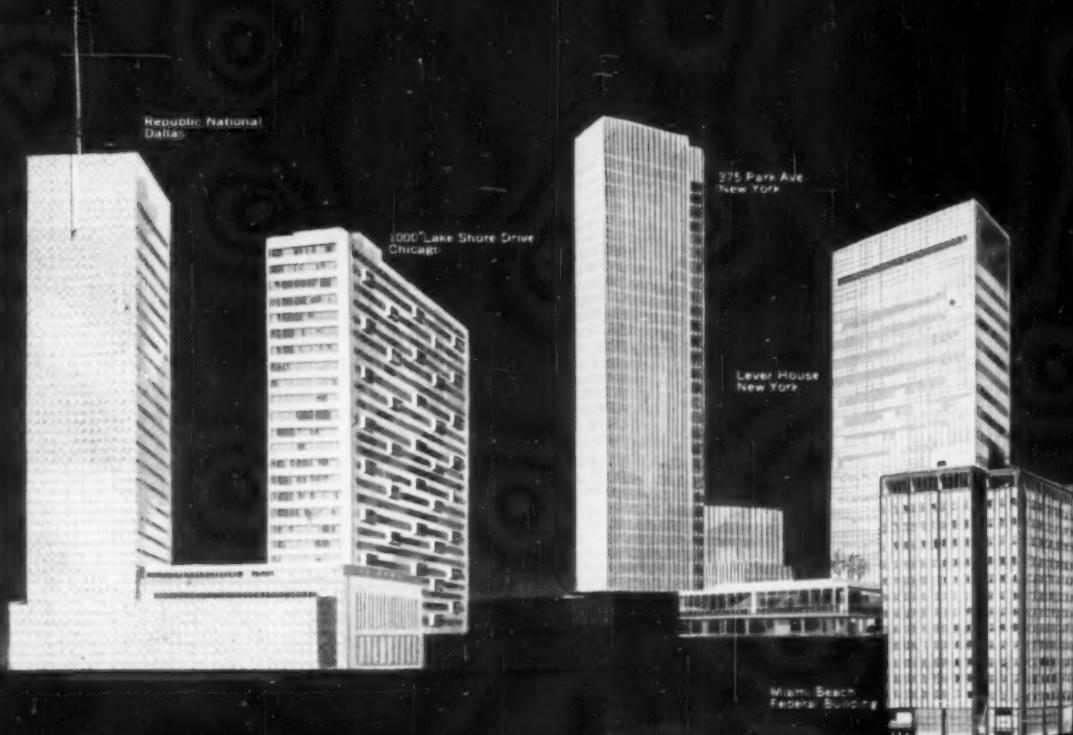
Sealants based on THIOKOL liquid polymers are necessary in modern curtain wall structures. They adhere tenaciously to the wide variety of materials used—maintaining their elastic bond through extreme wind and rain buffeting, heavy vibration or thermal stress.

Their greater resistance to sun, ozone, smog and industrial atmosphere sharply cuts maintenance costs.

For proper sealing of modern structures, specify the new types of elastomeric sealants based on THIOKOL liquid polymers.

* * *

For additional information, see Sweet's 1957 Catalog or write: Thiokol Chemical Corporation, 780 North Clinton Avenue, Trenton 7, N. J. In Canada, Naugatuck Chemicals Division, Dominion Rubber Co., Elmira, Ontario.



Thiokol[®] CHEMICAL CORPORATION

780 NORTH CLINTON AVE., TRENTON 7, N. J.

Thiokol does not manufacture finished sealants, but supplies basic liquid polymers to companies that formulate finished sealants to meet varying commercial needs.

® Registered Trademark of the Thiokol Chemical Corp. for its liquid polymers, rocket propellants, plasticizers and other chemical products.

Man and Best Friend Breaking Law



Perhaps George Welkoff's most serious crime—though it was not the one for which he was convicted—was just being different. His speech, for instance. Broken English, with one of those off-beat, Middle-European accents that sometimes mark a man for ridicule. And the sadness that was about him always, as if he carried within him the miseries of eternity.

To the casual—or the ungenerous—observer, Welkoff's way of life must have appeared grubby, even sordid; no family, no friends, completely lacking the drive and motif we think of as the "American way." But then, George Welkoff was not an American. And his neighbors—some of his neighbors at least—didn't like it.

There had been a family once, though the neighbors didn't know it. A son, Zifko, killed by the Communists; a wife, dead now, and a daughter, Zacharina, living still but lost to Welkoff in the dark terror of Iron-Curtain Bulgaria. There had been status, too, during the twenty years Welkoff served Bulgaria as an army officer.

How had he come to America? Not quickly, nor easily. It had taken him seven years, working his way first through Austria, then Germany. He arrived in the United States in 1950 and settled in Hellertown, Pennsylvania.

Living was hard. There were no white-collar openings for a 54-year-old ex-officer of the Bulgarian Army, and a physical handicap precluded manual labor. Living was hard, but possible. Odd jobs here and there and the proceeds from the sale of vegetables grown in his garden. Survivors of the war in Europe know how to live meagerly.

And there was one friend.

Some people—the same ones, perhaps, who would have said Welkoff wasn't much of a man—would have said it wasn't much of a dog. Just a stray. Maybe there was a look of eternal misery about him, too. The man befriended him, took him home. He became Welkoff's dog. And the neighbors—some of the neighbors at least—didn't like it.

On the evening of July 31, 1956, George Welkoff was arrested by officers of the Hellertown Police Department. The charge: Violation of a Pennsylvania statute prohibiting aliens from owning dogs. Welkoff's dog was taken to the pound, earmarked for destruction. Nobody had ever enforced the law, of course. It was one of those steeped-in-time flats that are so silly they aren't worth the legislative bother of wiping them off the books. So George Welkoff was arrested and the neighbors—some of the neighbors at least—were very pleased.

There is no way of determining whether the Justice of Peace who heard the case thought the law was silly. But he found Welkoff guilty and he fined him. Fine and costs came to \$35.80 and Welkoff didn't have it. So George Welkoff, this 60-year-old displaced person who had broken the laws of the Sovereign State of Pennsylvania, was sentenced to 32 days in County Prison.

James McCombe, a Bethlehem, Pa., newspaperman, reported the story the day after Welkoff was jailed. Now the whole community knew the troubles of the old man and his dog. It made a good many people uncomfortable. But it made one man mad. He was Vincent Leun, a Bethlehem Steel executive. Nothing about the story fitted into Leun's concept of American justice. He did something about it.

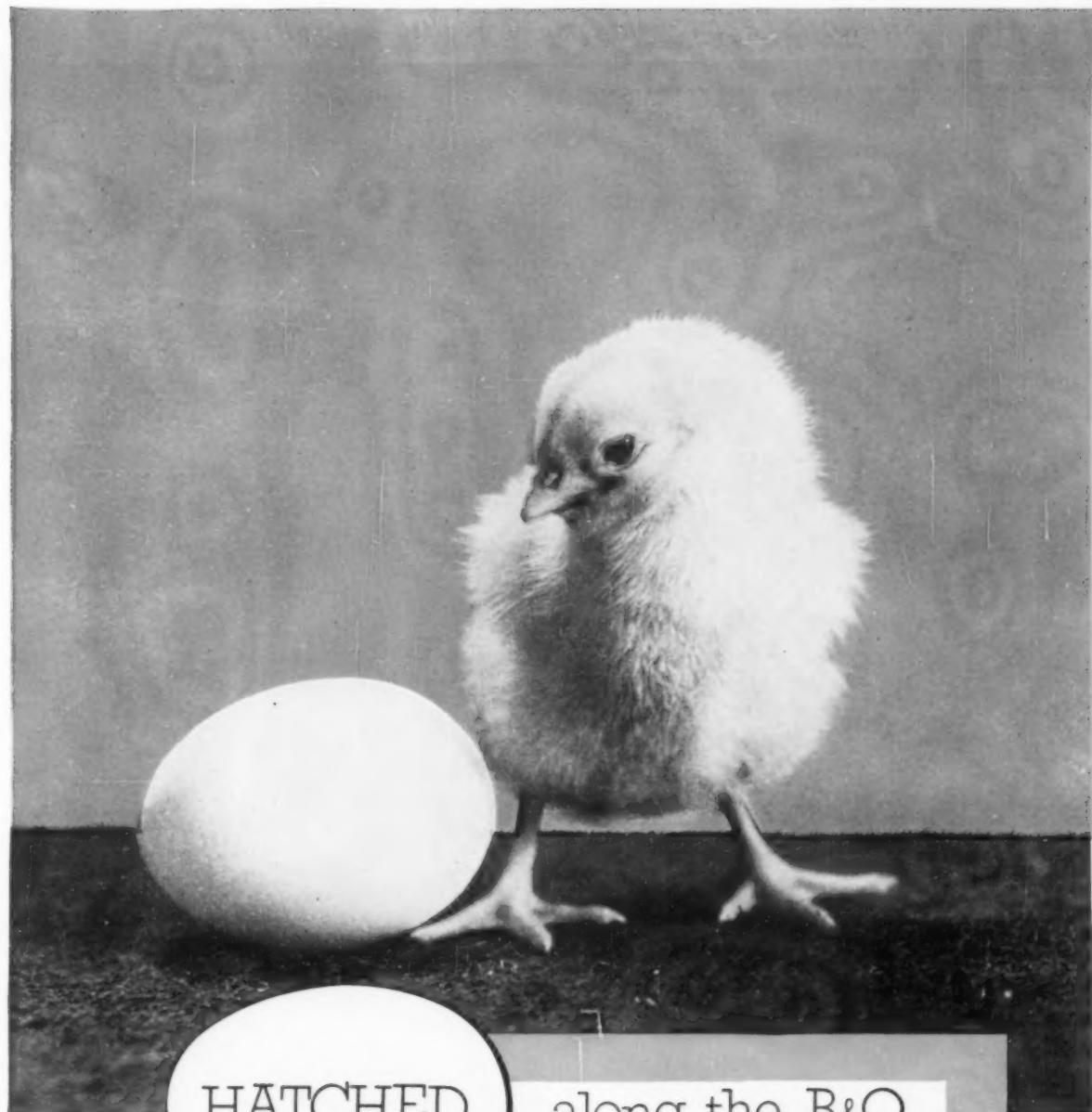
Vincent Leun paid Welkoff's fine and had him released from prison (he had already served two days). He claimed Welkoff's dog from the pound and took it into his home until Welkoff could legally acquire it. He received a few anonymous threatening letters, but they were far outnumbered by signed letters from people who supported his action.

Mr. Leun did another thing. Letters he wrote to the members of the Pennsylvania Legislature resulted in repeal of the law which sent George Welkoff to jail.

Now, George Welkoff is a man who is endowed with inalienable prerogatives of freedom of speech, trial by jury, the habeas corpus, and the right to own dogs.

The story of how Vincent Leun helped right an injustice typifies the love of freedom and justice which lies at the heart of America. Such everyday examples provide reassurance that the common principles held by Jefferson, Madison and Lincoln are still very much alive in twentieth-century America.

The American Traditions Project of the Fund for the Republic has compiled hundreds of true stories of contemporary Americans whose actions have advanced freedom and justice. Some of these stories have been published in an illustrated booklet, "The American Tradition in 1957." Free copies are available. Write to the American Traditions Project, Box 48462-AB, Los Angeles 48, California.



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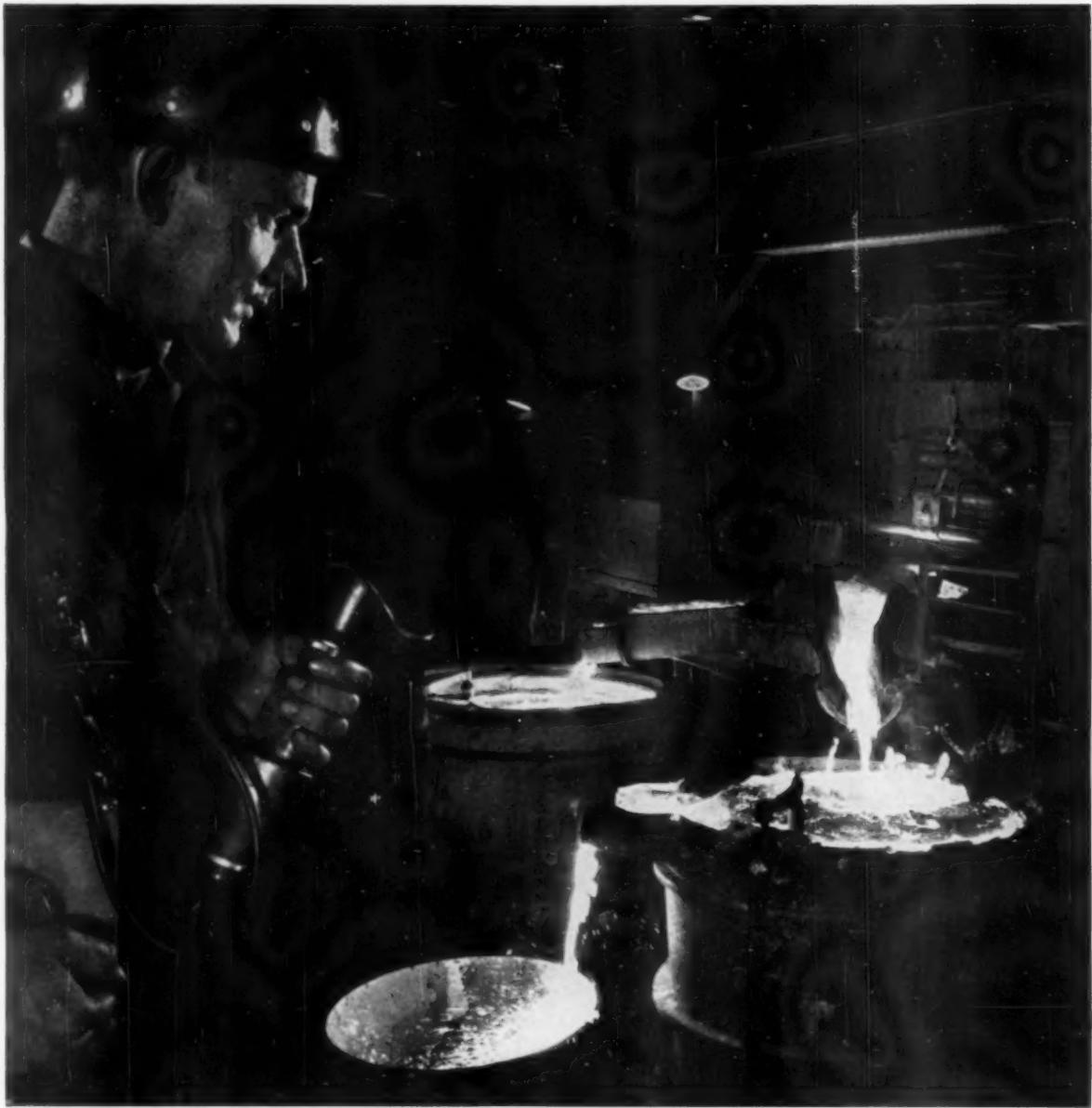
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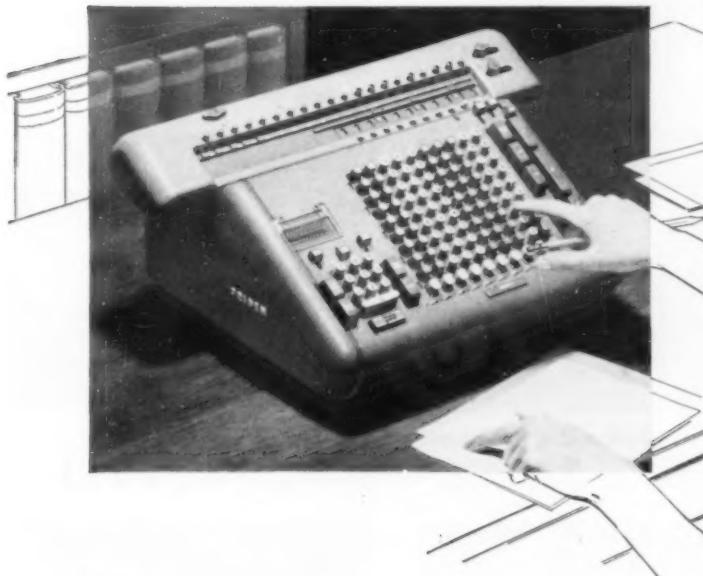
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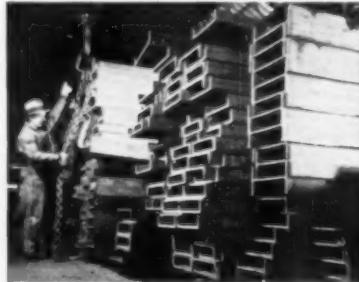
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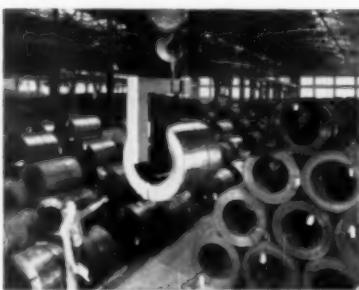
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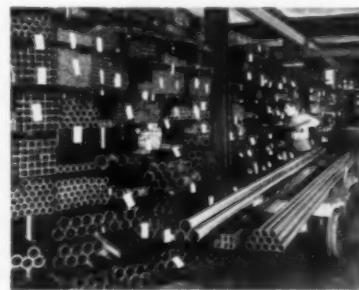
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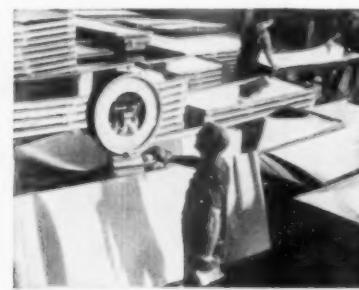
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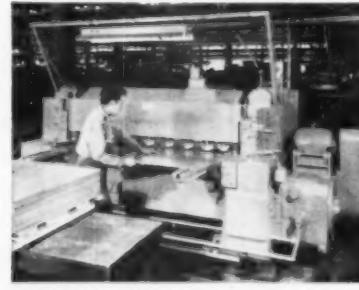
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BUSINESS OUTLOOK

BUSINESS WEEK

JUNE 29, 1957



Tight money now is more than just a pinch, it's a squeeze.

If you aren't hampered in your own business, you are among a shrinking group blessed with ample cash or an exceptional credit rating. And you probably still feel it indirectly in slower collections.

More and more, it looks as though stringent credit might reshape the business curve for the rest of this year—and perhaps longer.

That doesn't mean a slump, but it makes decisions difficult.

Prospects still are that business will hit its low in the third quarter, then rise in the fourth. But brakes applied by scarce money now will make it all the harder for the autumn upturn to get going.

Plans thwarted by lack of money would further curtail demand—already limping ever so slightly due to inventory liquidation.

The great danger in a money squeeze is that it will make modernization and expansion seem unwarranted. High interest cuts the return new plant can be expected to earn. But that's academic if slowing business makes it appear that we may already be verging on overcapacity.

Electric companies, regulated as to what they can charge for juice, are feeling the worst pinch from rising money costs. Puget Sound Power & Light, for example, sold mortgage bonds with a 6 1/4% coupon this week.

This Puget Sound issue falls just a mite short of being best quality; it is what bond experts classify as upper-medium grade.

To pay over 6% on such a bond (even allowing for interest as a tax offset) is bad enough. But for utilities, which generally are limited to about a 6% return on capital, it comes pretty close to being impossible.

—●—

Even the stock market has been singing the money-market blues. Much of the recent weakness is laid at tight credit's door.

Not that there's any overt shortage of stock market money as in 1929. But, traditionally, stock prices are sensitive to money rates.

Perhaps Wall Street doesn't hew so close to the money-market line as tradition-minded bourses abroad. The foreign investor welcomes the additional safety of bonds when interest rates vie with stock yields.

Here, that isn't so true. He usually is more interested in price appreciation than he is in current income.

But the market can't ignore tight money as a brake on business—hence as a threat to corporate profits. Then, too, if credit really curbs inflation, the need to hedge in common stocks disappears.

—●—

Another rise in the cost-of-living index (page 155) brings us just that much closer to the time when the curve should flatten out, or even decline a little (BW—Jun. 1 '57, p28).

Manufactured products, at the wholesale level, are winding up the second quarter just where they started. This is the first quarter since 1954 that this index has failed to show any gain.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
JUNE 29, 1957

Foods, however, have continued their rise—and they're the real cost-of-living booster. But food prices will sag a little in autumn.

Escalating the escalator: Among those getting cost-of-living wage increases, due to the latest rise, are 115,000 packing house workers. And rising meat prices were a principal reason the cost of living went up.

—•—
Pricing of petroleum products seems to be taking a new turn.

The increases posted by Sinclair last week (BW—Jun.22'57,p20) now are being followed widely. And the significance is this:

The markups reflect new costs involved in labor contracts.

Heretofore, oil companies have adjusted prices in line with demand. It's a change to move them strictly in tune with costs—ignoring the fact that demand at the moment is somewhat disappointing.

—•—
Expect new and more urgent calls for curbs on imports of oil.

The reason is simple: Producing states, notably Texas, have slashed allowable production in order to avert further piling up of surpluses.

This irks so-called independent producers (and owners of oil land who get a percentage royalty on each barrel pumped). They blame excessive imports by the big international companies for cutbacks here.

—•—
Drilling for oil is falling farther and farther behind last year.

In fact, several industry groups say that we may be witnessing the unusual phenomenon of a year when discoveries will fail to add more oil to our visible supply than we will take out of the ground.

Imports and the resultant worry over prices is not the least of the reasons for the drop in drilling. But there are others: tight money, too little pipe, high drilling costs, deeper wells, and the fight over pricing of natural gas (for wells drilled for oil sometimes are gassers).

—•—
Machine tool builders look hopefully for an autumn pickup but, meanwhile, the figures on May results make rather doleful reading:

- **New orders**, at \$41-million, were about one-third lower than at the start of the year and less than half the same month a year ago.
- **Backlogs** have been trimmed about \$135-million so far this year.
- **Shipments still are running higher than at this time last year.** Yet they have slipped from the average level of late 1956 and early 1957.

—•—
Bituminous coal producers have given up any ideas of going much higher than last year's output of just over 500-million tons. The first half fell about 4-million tons short of the same period last year.

—•—
Auto production now is going into the gradual slide that will lead to the cleanup of the old-model year. Fortunately, however, the decline starts from a somewhat higher level this year (with stocks a bit lower).

And Chrysler divisions are bent on making up for output lost earlier.

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SOHIO sales appeal
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A clean, crisp, colorful design—and an *uninterrupted pattern of color*—puts solid sell where the customer sees it, on Sohio's new PREMEX motor oil can!

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low temperature as the edges are joined . . . easily, swiftly, efficiently.

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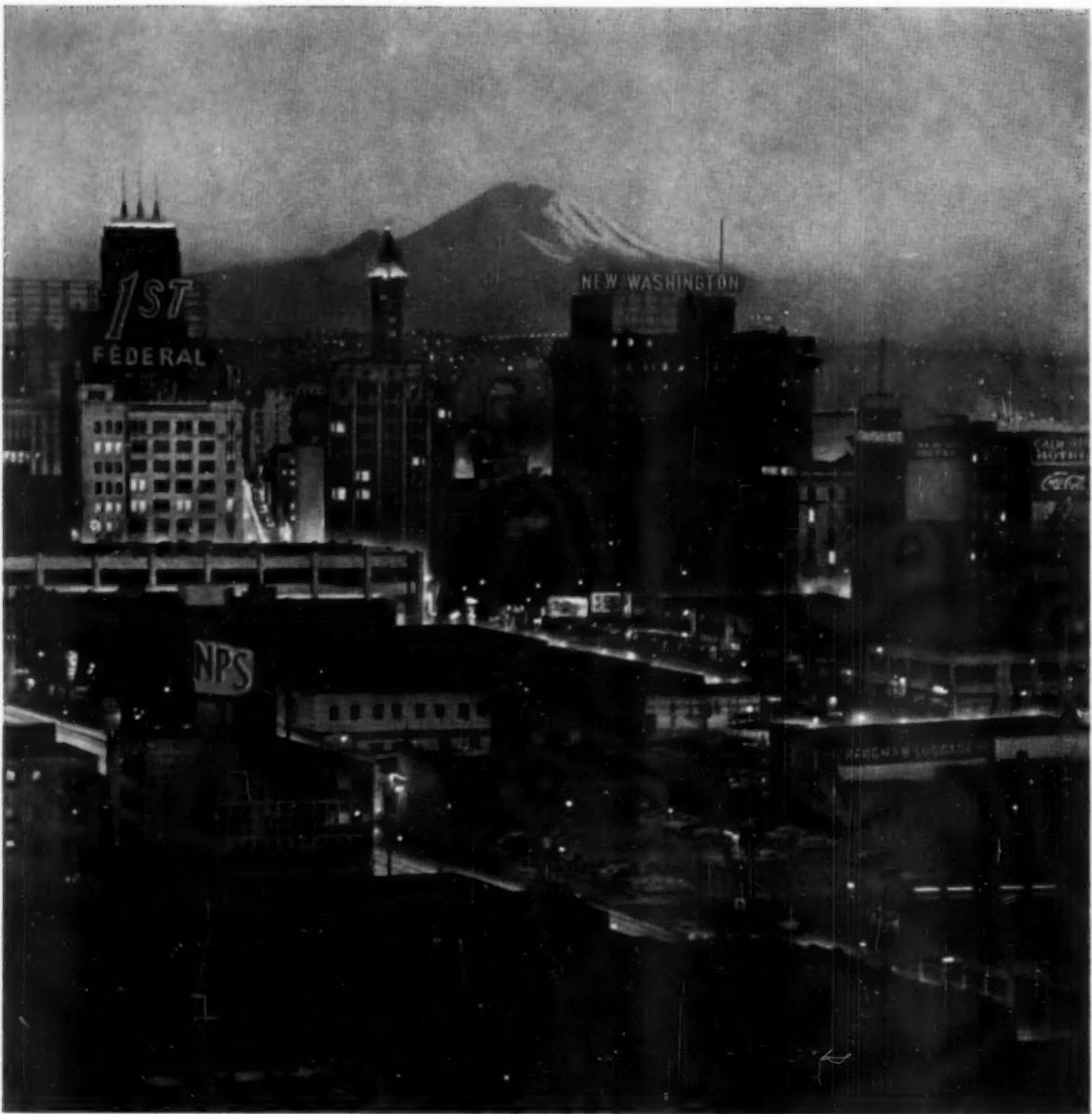
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New Optimism, and a Third Force

● The East-West conflict is shifting toward new ground—toward a period of truce in the basic struggle, with new rules to limit the possibility of an all-out clash.

● To a large extent, it's the H-bomb that's now acting as a "third force," to inhibit a head-on collision.

● In the new conditions, Washington sees a fair chance of peacefully turning back the postwar Communist tide—and is building a new policy to achieve that purpose.

THE EAST-WEST conflict is shifting this summer toward new ground—ground where sheer military strength is likely to count for less than it did during the cold war, economic and political competition for more.

The mounting costs—and dangers—of the nuclear arms race are forcing both the U.S. and the Soviet Union toward some accommodation that can ease the economic strain and the political tension of this H-bomb age. So is the recognition that neither side can change the cold war frontiers by H-bomb superiority, or H-bomb blackmail.

But neither the U.S. nor the U.S.S.R. really expects any more than a truce in the basic struggle between democracy and Communism, with some new rules to limit the possibility of an all-out military clash.

The Russians are jockeying for an accommodation that will ease the strains but still leave them with (1) the territorial gains of the cold war; and (2) the opportunity to keep shoving at any weak spots in the non-Communist world.

The U.S. wants an accommodation for similar reasons. Only the Eisenhower Administration figures that in the period ahead the advantage will be on our side, with the chances favoring (1) a disintegration of the Soviet empire in Eastern Europe; and (2) containment of Soviet pressure on the uncommitted nations of the Middle East and Asia.

• **Pervailing Current**—That seems to be the essence of the present international situation, whatever the surface impression given by such recent events as the Soviet delivery of three submarines to Egypt, a new barrage of Soviet propa-

ganda charges against the U.S., and the U.S. decision to strengthen the U.N. military position in South Korea.

For against such things you have to set such other recent developments as Red China's backtalk to Moscow, continued Soviet-Polish political clashes, and an intensive campaign in Russia to tell the people what the H-bomb means. All these help explain why Moscow needs to relieve some of the pressure on its resources. On our side, there has been the budget row, growing public concern over H-bomb fall-out, and Pres. Eisenhower's growing preoccupation with reducing the threat of war.

I. The Next Stage

The shift toward new ground is the result of a process that began with the first H-bomb explosion in 1954 and reached a climax last fall with the Hungarian-Suez crisis. There were signs of the shift in the holding of the summit meeting of 1955. Then it bogged down over the question of German reunification and finally was put into reverse, temporarily, by the explosions last fall. But now, in the London arms talks, you are getting the first real attempt at an East-West accommodation since the end of World War II.

If the London talks produce any kind of limited agreement—a standstill on H-bomb tests, a modest aerial inspection setup, and cuts in conventional forces—the East-West struggle will be put on new ground.

It will probably stay on that new ground at least until the intercontinental ballistic missiles have made their appearance.

• **The New Conditions**—Whatever

name is given to this new stage, whether competitive coexistence or something else, it will differ substantially from Stalin's cold war:

The battleground would be inside the Iron Curtain as well as in the uncommitted areas in the Middle East and South Asia. Stalin's cold war, after 1947, was fought mainly in the non-Communist world.

The weapons would be largely economic competition, diplomatic maneuver, and political propaganda. During the cold war the Communists relied not only on these but on military conquests and open subversion, while the U. S. relied on economic aid plus defensive military alliances.

The two opposing sides would be less cohesive than during the cold war. The Soviet bloc already has lost the monolithic character it had under Stalin, as witness the revolutions in Poland and Hungary and the rumblings out of Red China. The Western alliance has become more of an anti-Communist coalition, with most of its members less inclined to follow U. S. leadership except when it comes to their ultimate military security.

The odds would favor the West because of its greater economic resources—and the fact that the U.S., especially, has consistently used its power and wealth to generate greater wealth among its allies, not to exploit them as the Soviet Union has done. In short, the Soviet Union now must pay the price, at home and in Eastern Europe, of its ruthless cold war policies.

II. The New Third Force

In the background, of course, there still will be the H-bomb and the race to get the best ICBM to carry it. It still will be peace by terror, to use Churchill's phrase. But to a large extent the H-bomb now acts as a sort of "third force"—a power that inhibits both the U.S. and the U.S.S.R. from getting involved in a head-on clash.

You could see this "third force" at work last fall. In Hungary, the danger of an H-bomb war restrained the U.S. from following through on the liberation policy. At Suez, the British and French risked an attack on Egypt notwithstanding the existence of the H-bomb. Although this test never fully developed because of U.S. intervention

against London and Paris, Eisenhower's firm backing of our allies against Soviet rocket threats did make Moscow realize that its nuclear superiority in Europe counted for very little.

• **East Europe's Outlook**—There still remains the possibility of another violent explosion in Eastern Europe—a Hungarian-type revolution in Poland that might spread to East Germany and put both the U.S.S.R. and the U.S. to a harder test than Hungary and Suez did.

Some observers believe that this danger can be overcome only by a negotiated European settlement, under which (1) Soviet forces would withdraw from Eastern Europe and U.S.-British forces from the Continent; and (2) Germany would be unified, with what is now East Germany included in a demilitarized zone stretching from the Arctic to the Mediterranean.

Such a negotiated settlement might conceivably follow an arms control agreement, if one is reached at London. The latter might reduce tension enough to pave the way for a European settlement. But this looks like a remote possibility, which neither Moscow nor Washington now expects.

There is no sign that the Russians are thinking in such terms. They are busily trying to reconstruct their empire in Eastern Europe by substituting economic cooperation for economic exploitation. They already have adjusted their economic planning to allow the satellites to use most of their own production, even though this is putting a strain on Moscow's relations with Peking (BW-Jun.22'57,p145).

III. The New Optimism

Pres. Eisenhower and Secy. of State Dulles don't expect the Russians to negotiate themselves out of Eastern Europe—or to pull off a successful consolidation of their position in the area. But what Eisenhower and Dulles do count on, more hopefully than some of their advisers, is a process of erosion in Eastern Europe, encouraged by Soviet economic difficulties, by ideological differences among Communist leaders, by the forces of nationalism, and by Western economic strength.

Their new optimism is based on reasoning that runs like this:

• The trouble within the Soviet empire is very real. Red China has run into serious economic difficulties, and also refuses to follow Moscow's ideological line. The ideological split is bound to have its effect in Eastern Europe, perhaps inside Russia.

• The U.S.S.R. itself is in the midst of a massive economic reorganization, designed to correct its chronic economic problems. That leaves Moscow, at least temporarily, in a poor position to provide strong economic and

political leadership to the Communist world.

• These strains have put the Soviet leaders under increased pressure to seek an accommodation with the West. They are trying to achieve this at several levels, but put an arms control agreement at the top.

Adding up these developments, Eisenhower and Dulles apparently believe there is a fair chance of loosening the cold war's frontiers peacefully, and turning the postwar Communist tide.

IV. The New Policy

To achieve this, a new U.S. policy is being developed. It's made up of three interwoven strands.

First, the U.S. intends to welcome and give prudent economic support to Communist regimes that show, as Poland's does today, the desire and ability to achieve some independence from Moscow. At the same time, Washington will refrain from trying to incite any open rebellion, and will seek to reassure Moscow that the U.S. has no intention of trying to get political or military control of straying satellites.

Next, the U.S. will push for an arms control agreement with the Soviet Union. Eisenhower and Dulles see this as desirable in itself—as a means of reducing the danger of war and a means of moderating the cost of the arms race. They also see it as a major political maneuver.

They hope that even a limited, first-step arms agreement could be expanded in a few years to a system of agreements that would make it easier for the Russians to grant more freedom and national autonomy within the Soviet bloc. (Dulles, apparently, would be willing at some point to offer the Russians a neutral belt in Europe in exchange for German unity and increased independence for the satellites.)

Then, there's still the basic policy of guarding against any renewal of Communist expansion around the periphery of the Soviet bloc. The Eisenhower doctrine is intended to do that in the Middle East, and has succeeded so far in stabilizing the area.

In the Far East the U.S. will give no ground in Korea, Formosa, or Indo-China. And Dulles will stand pat on China policy for the time being, in the hope that Peking's economic difficulties may lead to concessions to the U.S. on outstanding issues. This doesn't exclude some accommodation with Red China when Eisenhower and Dulles feel the time is right.

V. West's Situation

The Administration leaders are well aware that the troubles aren't all on the Communist side. There has been

a weakening of unity in the free world as well during the two dramatic years since the summit conference. The French-British-Suez adventure, the British decision on China trade controls, the Formosa riots, Japan's demand for more equal relations with the U.S.—all bear witness to a loosening process in the Western world.

But the Administration regards this as inevitable as our allies increase their economic independence and lose some of their fear of war. And for the U.S., it has an advantage in giving Washington more freedom of diplomatic action.

• **Stronger**—In any case, the loosening in the free world has not gone nearly so far, relatively, as in the Communist camp. What's more, the free world as a whole is stronger economically than at any time since World War II. And the prospects of real economic unity in Western Europe (page 70) give solid hope for further strengthening of the West.

In fact, economic unity, coupled with faster growth, in Western Europe is bound to act as a magnet on Eastern Europe, tending to draw the satellites away from Moscow.

Atom Plant Insurance

Almost Set in Britain

The British insurance industry is getting set to move fast in providing coverage for atomic energy plants.

In a report just issued, the industry wants to (1) pool financial resources to meet potentially high atomic risks; (2) write coverage—combining property damage and third-party liability—up to \$112-million per risk; and (3) ease taxation on reserve funds.

The insurance-industry committee writing the report expects the proposals will get quick approval. The first step, then, would be to provide domestic coverage. Overseas coverage would follow soon after. That would be a boon to British reactor makers that hope to beat out U.S. competition in selling reactors to West Germany, Italy, and Japan.

The British report doesn't particularly impress the U.S. insurance industry, which is already writing policies for small private atomic reactors—along lines similar to the British scheme. For a single risk, it can offer coverage as high as roughly \$135-million—if you lump together liability and property coverage, as the British have done.

But the report has made a big splash in Britain, where Calder Hall is already operating on a commercial basis—while the U.S. still has no commercial atomic plant.



OPEL Rekord is GM's entry in U.S. small car race from its German stable.



VAUXHALL Victor is GM's import from Britain. Prices have not been announced.



ANGLIA, a tiny product of British Ford, is close to the bottom price.



SCOTSMAN, a stripped Studebaker, is U.S.-made bid for growing small car sales.



METROPOLITAN, made in England for AMC, is already well up in the race.

At Last, GM Invades Small Car Market

Long a holdout, motor giant decides to import two little autos made by its European subsidiaries, Vauxhall and Opel.

THIS FALL a new competitive era begins among Detroit auto makers as General Motors Corp.—up to now a consistent hold-out—joins the battle for small car sales.

The decision of GM to bring two of its small European-made autos, Britain's Vauxhall Victor and Germany's Opel Rekord, into the U.S. market puts Detroit-style competition in a new area, with important effects abroad as well as in this country.

You can see a number of things in GM's move:

- Reaction to a growing feeling among consumers that U.S.-made cars cost too much to buy and too much to operate.

- A desire to sound out the small-car market in this country to see how really deep it is.

- The desire to strengthen GM's foreign subsidiaries—Vauxhall ranks behind both British Motors Corp. and Ford in England, and Opel trails Volkswagen in Germany by a wide margin.

- A prop under GM's medium-price-class dealers—the Victor will be sold by Pontiac dealers, the Rekord by Buick dealers—in recognition both of the price-resistance in medium-price lines and the increased competition in that field coming up from Ford's Edsel.

You have to look at these things separately and together against the background of the world market to see why GM has made a major reversal in policy in deciding to import its foreign cars.

The big disappointment to Detroit this year is the relatively poor sales performance of all its medium-priced makes. Attention, of course, has centered on the fall of Buick because it grew so fast and wrested third place away from Plymouth a few years ago. This year Plymouth is firmly back in third and Buick registrations for the first four months have slumped off from 197,364 in 1956 to 150,586 this year. Oldsmobile and Pontiac also are behind their last year's pace.

At the competitors, all of Chrysler's three medium cars (Dodge, De Soto, and Chrysler) are ahead of last year, and so is Mercury—but their manufacturers really expected a bigger increase than they have had.

Experienced auto men feel that would-be medium car buyers took one look

at the price-tags and stepped down to the top end of the low-priced cars. The heavy sales of Ford's Fairlane 500, Chevrolet's Belair, and Plymouth's Belvedere seem to confirm this analysis. What are commonly referred to as low-priced cars are accounting for 65% of all registrations, while in other years their share has been around 60% or lower.

- **Below the Bottom**—But under the low-priced cars—less, say, than \$1,800—there apparently is a big and growing market (BW-Jan. 26 '57, p46). This is what the foreign manufacturers have been exploiting, led by Volkswagen with one model selling at ports-of-entry for just under \$1,500. U.S. manufacturers have been tapping this market, too: American Motors with its Austin-built Metropolitan; Ford with its British Ford's Anglias, Prefects, and Consuls. Studebaker now is taking a different tack with a stripped Champion, renamed the Scotsman and carrying a suggested retail price of \$1,776.

Even domestic car dealers have been getting into the act on their own. In nearly every big city of the country you can find Chevrolet dealers advertising a new Chevy for less than \$1,700.

The reason for all this activity is simple to find. In the first four months of this year just under 50,000 imported cars have been registered in the U.S., compared to 25,500 in the similar period of 1956. For all of last year foreign car registrations totaled 98,100 and approximately 75,000 were the small-wheelbase economy cars.

- **Foreshadowing**—U.S. auto makers in the past have claimed that (1) the bulk of the American car buyers wanted a bigger, easier riding car than the small European imports; and (2) those interested in economy had a wide choice in the used car market. As recently as last December, GM's president Harlow Curtice said, "If General Motors were to offer a counterpart [of small foreign cars] in this country we would have no takers. . . . Your best bet . . . is the second-hand car rather than any one of the foreign makes." But he also said, "if the time should come when [Vauxhall and Opel] had excess capacity, which I do not foresee, we might take a look at the possibility" of importing GM's own small foreign autos.

Obviously, GM took a long look. It

must have known Ford (of U.S.) has been surveying the foreign car market here for three years, even making a production cost analysis of the Volkswagen (Conclusion: It couldn't be produced here as cheaply as in Germany). And GM also must have taken a look at who's selling the foreign cars here and seen the implications for its foreign subsidiaries.

• **The Upsurge**—For the first four months of this year, VW, of course, retains a wide lead, with nearly 21,000 cars registered. MG is in second place, with more than 4,000. But coming fast is France's Renault (mainly the Dauphine) with about 3,400 registrations—more than it sold all last year. Then come the British Fords, 3,200, and AMC's Metropolitan with 3,000 registrations.

It was high time for GM to move in. The European market still has not recovered from the Suez-induced fuel shortage, and even revision of taxes on cars in Europe has not boomed the local markets. GM has nearly completed expansion of facilities at both Vauxhall and Opel to bring capacity to about 250,000 vehicles a year at each plant. The ripest market for that capacity is the U.S.

GM has shrewdly selected the cars that it will import into this country. The Victor, which was introduced in England only a few months ago, was styled in this country along lines of proven American tastes; it has a wrap-around windshield, for example. The Opel will also be a new car—to be introduced in Germany within a few months—and will have American styling features.

Otherwise the cars will conform to European trends. The Victor has a wheelbase of 98 in. and over-all length of 166½ in. (the smallest U.S.-made car. AMC's Rambler, has a wheelbase of 108 in. and length of 191 in.) and is powered by a 52-hp. engine. In a 250-mi. run at an average 35 mph., a Victor averaged better than 36 miles to a U.S. gallon.

• **Dealer Setup**—GM says there was no particular reason for assigning the Victor to Pontiac and the Rekord to Buick. The basic decision was that the dealer forces of those two divisions would handle the imports, rather than set up a separate distribution chain for the cars.

GM is not disclosing prices until the cars go on sale in September, but the Victor now sells for the equivalent of about \$1,400 in England (without purchase tax) and shipping and import duties would push the U.S. port-of-entry price to at least \$1,600. But repeated surveys of the foreign small car market in the U.S. have shown it is not the purchase price that counts—it is the cost of operation.



MAYFLOWER II is guided into calm waters by Coast Guard vessel.

Goodwill Ship . . .

... makes port safely
but its sponsors are battling to
keep afloat in a stormy financial sea.

The Mayflower II was safely moored at Plymouth this week, but in London its financial backers wallowed in a storm of injunctions, slander suits, creditors' claims, even a case of mutiny. In New York, while Pier 81 was being redone in Colonial style preparatory to the ship's arrival July 1, the forecast was favorable winds for the New York exhibitors.

Amid the trappings of parades, speeches, and guest appearances, it's hard to uncover the puzzles of the Mayflower: its sponsors and its mission. Is the ship an out-and-out commercial project, or is it a symbol of international goodwill? The truth seems to be a little of both.

• **Triangle**—Currently, three organizations—its parent group and two foundations—are involved with the Mayflower.

Project Mayflower, Ltd., is the parent group, formed five years ago by publicist Warwick Charlton as a goodwill gesture by the English. This week, Charlton and millionaire financier Felix Fenston who—together with several British companies helped finance the ship's voyage—traded some salty verbal salvos.

Fenston charged Charlton and John Lowe—Charlton's public relations partner—with over-commercialization of the original idea, and called for their resignations from directorship in Project

Mayflower. Fenston wanted to revert to the original concept by forming a Mayflower Foundation, which would retain control of the ship and set up Anglo-American scholarships.

Charlton refused to resign, and at one stage in a series of transatlantic flights (made partly to sew up a contract with Little Brown & Co. for his upcoming book on the Mayflower project) made this comment: Instead of a Mayflower Foundation, he intends to hand the ship—plus all its commitments and income therefrom—over to Plimouth Plantation, Inc., a nonprofit Massachusetts group.

Fenston countered that he would seek a court injunction to prevent Project Mayflower, Ltd., from giving the ship away.

• **Claims**—Project Mayflower, meantime, is under fire from some of its creditors in Brixham, England, where the ship was built. A Brixham tugmaster says that his lawyers have sent "a cable to New York instructing them to arrest Mayflower II."

• **Financing**—Charlton claims that the Mayflower project cost close to \$300,000, of which all but \$20,000 had been repaid by the time the ship sailed from England. Other bills would be paid by next week, he promised.

Charlton contends that if it had been possible to exhibit the finished ship in Britain as originally planned, the Mayflower II would have sailed with a surplus instead of liabilities. As it was, curious Britshers paid \$73,000 to see the ship under construction. About 76 British companies shipped samples of their merchandise aboard the ship—at about \$1,000 a chest. Fenston and a four-man New York syndicate put up the rest of the cash.

• **Contract Terms**—Details of the contract between Mayflower, Ltd.—the New York group—and the parent group are still vague, but apparently run something like this:

In return for its cash, Mayflower, Ltd., receives the right to exhibit the ship in New York from July to mid-November. Out of its gross receipts—from admission fees and pier exhibition charges—it will put 20% to 30% into a trust fund, presumably to be handled by Project Mayflower, or any group that Fenston or Charlton finally agree on.

It's estimated that Mayflower, Ltd., will spend about \$300,000 to promote the ship in New York. But the four-man syndicate should get much more back on their investment.

Pier exhibition booths—figured on an average of \$5,000 per booth—should yield at least \$150,000. Between 2-million and 3-million visitors are expected aboard and, with admission fees of 90¢ per adult and 40¢ per child, this multiplies to close to \$2-million.

Picture of Industry Concentration?

• Percent of Shipments made by 4 largest companies

	In 1947	In new study
Motor Vehicles and Parts.....	56	75
Meat Packing	41	39
Cigarettes	90	82
Finishing Textiles (except wool)	14	24
Mens and Boys Suits and Coats.....	9	11
Sawmills and Planing Mills.....	5	7
Paperboard Boxes	18	16
Synthetic Fibers	78	80
Petroleum Refining	37	33
Steel Works and Rolling Mills.....	45	54
Motors and Generators.....	59	50
Radios and Related Products.....	26	24
Machine Tools	20	19
Cement	30	31

Fuel for Antitrust

The long-awaited Senate report on concentration in industry is finally complete—full of data, empty of conclusions.

NEW AMMUNITION for trustbusters, in the form of 756 pages of statistical tables on industrial concentration like those above, has been delivered to members of the Senate Antitrust & Monopoly Subcommittee and will soon be made public.

The report of the subcommittee, which BUSINESS WEEK obtained this week, avoids drawing any conclusions—either that the statistical record of concentration is good or bad, or that any governmental remedies are in order. But even as a tabulation—which is largely what the report is—the study when released will be billed by its Congressional sponsors as the most exhaustive work on industrial behavior since the monographs of the Temporary National Economic Committee in 1941.

The tables—accompanied by a brief description of the project—have not been made public. They will be released after members of the subcommittee complete their preliminary examination.

- **Advance Furor**—For three months, businessmen have been awaiting publication of the report with mounting concern over the fuel it might add to

the antitrust fire. Some feared a sweeping indictment of business in general, possibly even a long list of prospective defendants for future monopoly cases.

All this still might happen eventually—but not from the letter of the report itself. It provides the material for just about any kind of attack business critics might like to make. But, on its own, it withholds judgment.

- **Bigger Share**—The closest thing to a generalization that the data attempts is a brief table showing that in 1947 the 50 largest companies accounted for 17% of value added by manufacture, and that by 1954 the 50 largest accounted for 23%.

I. Surprises

However, one of the surprises in the data—in light of the wave of industrial mergers in recent years—is the large number of industries in which the tables show either a decline or an insignificant increase in concentration.

There's no telling what ideas for new legislation or Congressional investigations will follow publication of the tables. Sen. Estes Kefauver (D-Tenn.), current chairman of the subcommittee, is interested in linking the concentration study with a price investigation in an effort to show that so-called administered prices are closely associated with concentration.

- **Scholarly Method**—The tables, based

on information obtained in the census of manufacturing, follow the Census Bureau's standard industrial classification system. Use of this data for anti-trust purposes has long been debated by professional economists. A compilation of critical views has just been published by the U.S. Chamber of Commerce under the title, *The Significance of Concentration Ratios*.

II. Caveats

In a remarkably frank description of some of the technical difficulties, the subcommittee staff itself warns against indiscriminate use of the material.

For some industrial classes, the data may be "extremely significant, for some it may not be significant at all," the staff points out. After citing nine "limitations and qualifications," the staff emphasizes the "importance of due professional caution in appraising and evaluating the data presented."

The staff avoided these difficulties by neither making value judgments nor pointing out where the data might be significant. They simply dished up the whole 756 pages—tables, charts, and figures. In the staff's own words, this was done "in order to avoid the necessity of subjective interpretation. . . ."

- **Interpret It Yourself**—What this amounts to is that the technical staff leaves interpretation entirely in the hands of subcommittee members.

Sen. Joseph C. O'Mahoney (D-Wyo.) was the moving spirit of the project. The original planning and gathering of the material was under the direction of Jesse J. Friedman, an economic consultant retained by the subcommittee. Friedman, a former Commerce Dept. economist who has worked on previous concentration studies, has no official connection with the subcommittee.

Kefauver has brought in his own team. The key man now is John Blair, a 20-year career government economist who made his mark under the Democrats in the Federal Trade Commission. He has specialized in monopoly and pricing, and he was the author of the 1952 oil cartel report, which has kept the industry in hot water with the Justice Dept. ever since.

The staff director and co-counsel is another FTC veteran—Paul Rand Dixon. He will conduct the questioning of witnesses when the subcommittee launches into hearings. The strategy will be to call in representatives of industries that show the greatest trend toward increasing concentration.

III. Shortcomings

A practical demonstration of the difficulties that will arise when the subcommittee tries to evaluate the material is found in the auto industry—which,

on the face of it, has shown a big swing toward concentration since 1947 (table). In Census Bureau data, auto production is included in the "motor vehicles and parts" classification. The four largest companies in the classification accounted for 75% of the value of all shipments in 1954, up 19% from 1947. However, this cannot be taken as a measure of increasing concentration in the auto industry.

It does not, for example, include a number of important components. Carburetors, pistons, and piston rings are in the machine shop category. Starter motors, spark plugs, and generators are classed with the electrical equipment industry. Batteries are assigned to the storage battery industry.

Furthermore—as any reader of weekly production statistics from Detroit knows—the Big Four in the auto industry account for almost all the output of finished cars—around 99%. This is made plain in another table in the report, which gives passenger car production alone.

• **Misfit Data**—The problem here is that the Census Bureau classifications were not drawn up for the purpose of making a concentration study. As a result, there are many statistical misfits—data that does not fit actual conditions.

Friedman highlighted this difficulty in a talk before the National Industrial Conference Board: "In this study, we are limited to the classifications as used in census practice. The definitions of industries and products were not prepared with the study of concentration in mind. They do not . . . reflect necessarily the relevant market in which competition actually takes place."

The data will also be questioned on other grounds. All information is on a national basis, for example, overlooking the regional nature of many industries. In some cases, the staff points out, this will lead to an understatement of concentration. There is no allowance for imports, and this would lessen the degree of concentration in some industries.

IV. Causes Ignored

On one key point, there is little help for policymakers or legislators. There is no hint as to what actually causes concentration—no effort to show the relative importance of such influences as mergers, internal growth, new entries, or mortalities in a shrinking industry.

Several officials associated with the project have expressed hope that a continuing body of concentration statistics can sometime be set up, to serve the specific needs of antitrust. This might be a long-range outgrowth of the present study.

The Inflation Row Turns

● Washington's most incandescent issue is now inflation—and this week it drew a triple spotlight.

● In the Senate hearings on the nation's finances, Treasury Secy. George Humphrey and Sen. Kerr were in a heated—and partisan—duel over tight money.

● Elsewhere in Congress, tight money was upheld in an exhaustive report from a joint economic subcommittee.

● And a new citizens committee against inflation listened to both sides in the continuing debate.

INFLATION—and who's to blame for it—is suddenly the hottest issue in Washington. Even such midsummer standbys as economy and tax reduction are being shoved into minor, supporting roles, as lawmakers, key Eisenhower administrators, businessmen, and economists trade views on what is causing the rise in the cost of living. Pres. Eisenhower himself, in his press conference, called for a halt to the wage-price spiral—but without government controls.

In three separate places this week, inflation took the spotlight:

• The Senate Finance Committee hearings into the fiscal condition of the country, conducted by Sen. Harry F. Byrd, became more and more a Democratic attack on the Administration for allowing prices to rise the past year, with Treasury Secy. George M. Humphrey the target. Humphrey and Sen. Robert S. Kerr (D-Okl.) clashed on matters ranging from simple arithmetic (with which both had their troubles), to whether a restrictive credit policy is the correct way to combat the current inflation. Kerr assailed tight money; Humphrey defended it.

• Rep. Wilbur D. Mills (D-Ark.), chairman of a joint economic subcommittee on fiscal policy, turned in a unanimous report based on exhaustive hearings, calling for a continuance of present tax rates as an inflation curb. He warned that taxes should not be cut before spending. The report—signed by such disparate lawmakers as conservative Sen. Barry Goldwater (R-Ariz.) and liberal Sen. Joseph C. O'Mahoney, (D-Wyo.)—represents one side of a key issue being raised at the Byrd hearings. Mills and his group approve of the restrictive credit policy of the Federal Reserve as an anti-inflation tool; Byrd, Kerr, and other Democrats on the Finance Committee seem to feel the theory that high interest rates are themselves a prime cause of inflation.

• The newly organized National Citizens Committee to Curb Inflation

met for two days, listened to key lawmakers warn about government spending as a cause of inflation.

From professional economist Edwin G. Nourse—chairman of the Council of Economic Advisers under Pres. Harry S. Truman—the citizens committee heard a version differing from the congressmen's. Nourse, blaming union labor and businessmen for the current price rise, predicted that nothing the government might do—either through credit restraint or budget-cutting—will cure the trouble.

I. Citizens Against Inflation

The conference heard other conflicting accounts of the tangled inflation story. For example, Sen. Byrd listed rising interest rates as a cause of inflation, while Reynolds Nowell, economist and vice-president of the Equitable Life Assurance Society, defended higher rates as the best way of curbing inflation.

Willard F. Rockwell, Jr., president of Rockwell Mfg. Co. of Pittsburgh, is chairman of the sponsoring committee, which is staging a drive for grass-roots support of anti-inflation policies—chiefly reductions in federal spending.

• **Echoes of 1929?**—Through much of this fighting runs a persistent Democratic warning that the country's current prosperity is shaky because of inflation. Rep. Burr Harrison (D-Va.), a Byrd protege, had a long list of similarities between today and the summer of 1929. He ticked them off for the Committee to Curb Inflation:

- The cost of living is rising.
- Farmers and textile manufacturers are suffering prolonged distress.
- Interest rates are rising, and there is increasing debate over Federal Reserve policy.
- Demand for autos and other consumer hardgoods is dropping.
- Demands from industry for re-

Into a Three-Ring Rumpus

strictions against imports are rising.

- There's a constant flow of reassuring messages from government officials that the nation knows how to check business cycles.

Byrd is expressing similar views, without going into such detail. And Kerr, for his part, stressed the existence of soft spots in the economy in opening his attack on the glowing picture painted by Humphrey—of an economy operating at the highest level in history (BW-Jun.22'57,p23).

II. The Mills Version

The Mills report takes a sharply different view of the business picture. After hearing 33 economists from business, labor, and government—plus Humphrey and William McC. Martin, Jr., chairman of the Federal Reserve Board—the subcommittee concluded that for the balance of 1957 and into early 1958, at least, the outlook is for further economic expansion—both in output and in personal incomes.

The report stresses that federal spending would have to be cut from \$3-billion to \$5-billion before either tax reductions or an easing of credit could be allowed without risk of further inflation. And it sees no prospects for cuts of this magnitude in the current economy drive.

• **Cut Spending First**—The Mills group pleads for a reduction of federal spending programs—but as a prerequisite to tax cuts. They point out that despite a postwar average rise of some \$3-billion per year in revenues, thanks to economic growth, expanding federal programs for such items as roads, old age assistance, and social security are keeping pace. They analyze the current credit shortage as basically due to inadequate savings, urge fiscal and monetary policies to encourage more savings.

Mills and his committee recognize that the burden of fiscal and monetary restraints "may not be evenly distributed throughout the economy." But, they add, "the burden of inflation . . . is far more inequitably distributed."

"The alternative to general fiscal and credit controls is some form of direct government control over wage and price determination," they warn.

III. Kerr vs. Humphrey

The Kerr-Humphrey battle royal, continuing before a crowded hearing room, was Washington's liveliest midsummer entertainment.

"I didn't ask you to come back and make another speech," Kerr greeted Humphrey when the hearings resumed.

"You're going to get one," Humphrey replied, and launched into a detailed defense of his view that the current round of price increases stems from an excess of demand over supply.

- **Clash of Views**—Along with this bantering, Humphrey was attempting to answer the line of reasoning developed by Kerr. Kerr's argument is this: Prices are rising rapidly; with April as a base, the Consumer Price Index is up 4.4 points, or 3.8% in a year, compared to an average of 2.3% per year for 1949-53. (The CPI for May, out this week, shows an increase of 4.2 points in the last year—see page 155). Yet the economy is full of soft spots, such as housing and autos; some sectors, Kerr insists, are in a real tailspin. Therefore, the classic description of inflation—too much money chasing too few goods—does not apply, and tight money is a mistake.

In reply to all this, Humphrey offered a description of recent economic trends, starting with the boom in capital expenditures in 1955, which he believes was translated into consumer price increases beginning about a year ago.

Humphrey cited shortages as reported by purchasing agents, listing only four at present: nickel, steel plate, structural steel, and stainless steel. But he said during the period of price rises, some 23 items had been listed as in short supply.

Kerr insisted that this list—consisting entirely of producers goods—did not adequately explain rises at the retail level.

Humphrey conceded that in recent months the picture has shifted materially. He cited signs such as these:

- A slowing up in the rate of investment gain.
- A leveling off in the rate of inventory accumulation.
- An increase in the supply of key materials such as copper, lead, and zinc.
- Stabilization of wholesale prices.
- A decrease in the order backlog of key production goods.

All these—combined with what seems to be a renewal of productivity gains—may indicate that inflationary pressures are letting up, Humphrey said.

He avoided saying that these shifts were due to the gradual bite of tight money—but he dangled the idea before the committee. If softening spreads to a point where the inflationary threat is clearly over, he added, credit policies will be reversed, and money will be made easier.

- **To Kerr, the Crux**—Kerr's major point—backed up by a large colored chart—was that prices were more stable under relatively easy money conditions, from 1949 through 1953, than they

have been under tightening credit in the past 18 months. He asked Humphrey if this did not indicate it was time for the Federal Reserve Board to reassess its policy.

Kerr needled Humphrey on his failure to lengthen the federal debt—and on this point, Humphrey threw in the towel. He conceded that he had criticized his predecessors for not having more of the debt in long-term securities, and that his successor—slated to be Robert B. Anderson, Texas and New York executive—could justifiably make the same complaint of him.

Humphrey said his failure was due to great prosperity, and to a great demand for long-term money from corporations and state and local governments. Under such conditions, he argued, it was wise to forego his ambition to stretch out the debt. To compete with corporations and state and local governments for long-term money, he said, would only have made interest rates all the higher.

- **No Guessing Game**—Kerr tried to get Humphrey to guess whether he could raise long-term money today within the legal interest ceiling set by Congress on federal securities—4%. Humphrey would not speculate. But he said if it came to a choice, Congress would raise the legal interest limits.

Humphrey may have noticed in newspapers of the same date as this line of questioning that Kerr knew about in the state of the money market from personal experience. The Kerr-McGee Oil Industries, Inc.—in which Kerr and his wife have substantial interests—announced a \$20-million issue of 5½% debentures bearing stock purchase warrants at \$80 per share. At the same time, the corporation announced the issuance of 220,000 shares of common at \$70.25 per share.

- **Mess in Treasury?**—Humphrey defended Treasury policy this way: "It is better to have the cost of interest rising than to have the cost of living go out of sight." But he admitted that he had described the Treasury's condition as a mess when he took over in 1953, and that it is still a mess, so far as the length of the debt is concerned.

Kerr ended his questioning Tuesday afternoon, completing Humphrey's fifth day of testimony, four of them under strong Democratic attack. Republicans got their first chance when Sen. Edward Martin (R-Pa.), took up the questioning at midweek. Martin's task was to go back to Humphrey's original statement before the committee last week, and try to amplify the benefits that he—and the Administration—feel have resulted from credit restriction.



FORD FRICK, commissioner of baseball, tells Congressional committee that antitrust rule over game would bring chaos.

INVESTIGATORS are headed by Chmn. Emanuel Celler (left) and Rep. Kenneth B. Keating of New York, ranking Republican.



BALL PLAYERS also go to bat for the reserve clause. Left to right: Gerry Coleman, Yankees; Robin Roberts, Phillies; Eddie Yost, Senators, and lawyer J. Norman Lewis.



Baseball Fights Antitrust Law

Organized baseball went to bat this week before a House Judiciary subcommittee, headed by Rep. Emanuel Celler (D-N. Y.), to defend its right to operate outside the federal antitrust laws. Commissioners, owners, and players testified almost without exception in favor of the status quo.

However, Celler has drawn up a bill that would put baseball under the same laws as professional football, boxing, and other sports and businesses. He makes it clear that his subcommittee will make a thorough—and probably lengthy—study of baseball's antitrust exemption.

• **What To Do**—The hearings and the Celler bill are a byproduct of the Supreme Court's decision last February that pro football is a business. The

court noted the conflict with baseball's status, and it suggested legislation to clarify the situation.

This brought all sorts of ideas, ranging from complete exemption of all professional sports to full federal control of them. Various degrees of control are suggested to regulate a baseball club's ownership of player contracts, territorial rights, TV and radio rights, and so on.

• **Tidbits**—In passing, the Celler hearings this week disclosed the kind of baseball statistics that intrigue any fan but don't show up in the record books. For example:

• Seven of the 16 major league clubs lost money, in the aggregate, over the past five years (some also ran up surprising profits).

• In the minor leagues, 100 out of 123 clubs are losing money.

• Average salary among the 400 major league players is \$15,000, which is more than the average fan might guess.

• **Reserve Clause**—These asides attracted interest, but the heart of the testimony centered on the reserve clause that binds a player to a major league club. The player's contract belongs to the club, subject to sale or transfer, unless he is declared a free agent (free to bargain in his own behalf, usually after long servitude).

Baseball men doubt that this arrangement would stand up under antitrust surveillance, since it doesn't allow a player to sell his services to the highest bidder. He plays for the team that

owns his contract, or else he plays for none at all.

However, nearly all the witnesses, including active players, defended the system for want of any reasonable alternative. Without the clause, they saw little to keep the richest teams from corraling all the best talent. It prevents "a chaotic scramble," said Ford C. Frick (picture, page 46), commissioner of baseball.

• **Players Agree**—Player representatives—Philadelphia pitcher Robin Roberts for the National League and Washington third baseman Eddie Yost for the American League—also supported the reserve clause, with a player becoming a free agent after 10 years. Yost, 13 years with the perennially tail-end Senators, said he would still have stuck with Washington without a reserve clause because "I have been very fairly treated."

Gerry Coleman, utility infielder for the New York Yankees, and Stan Musial of the St. Louis Cards, the National League's leading hitter, both volunteered support of the clause.

• **Dissents**—Bob Feller, former Cleveland Indians pitching ace and American League player representative, testified that the reserve clause should be limited to five years. He favored applying antitrust rules in other respects to baseball as to any other business.

James P. Prendergast, a brewery salesman who had a career with the old Boston Braves and several minor league clubs until he was blackballed for protesting a pay cut while with Syracuse, declared that the major league clubs are "brutal" toward players.

George C. Trautman, head of the minor leagues, implied that the majors were brutal toward his clubs. The red-ink operations of 100 out of 123 teams are for the most part due to major league telecasts in minor league towns, he said.

• **A Peek at the Books**—Commissioner Frick testified that all professional baseball, major and minor, grossed \$65-million last year. Minimum salary in the majors is \$6,000 (Yost said it should be boosted to \$7,500).

In the past five years, Frick said, five American League teams made money: New York, \$1,244,339; Cleveland, \$867,503; Chicago, \$815,389; Detroit, \$442,621; Washington, \$161,408. Only Chicago and last-place Washington showed a profit each year. Money-losers were Baltimore, \$410,437; Boston, \$395,271; Kansas City, \$341,963.

The National League split evenly. Five-year profits were chalked up by Brooklyn, \$1,860,774; Milwaukee, \$1,857,602; Cincinnati, \$325,709; New York, \$242,503. Losers were Pittsburgh, \$1,357,303; St. Louis, \$1,094,384; Philadelphia, \$744,757; Chicago, \$428,-612.

Security Plan Is Far-Ranging

Commission proposals to revamp loyalty-security program cut across whole field; in industry, they would tighten some provisions, relax others, provide uniform rules for all.

For the past 18 months, a 12-man commission on government security, set up by Congress, has been quietly making an "objective, nonpolitical, and independent study" of the hodge-podge of laws, administrative regulations, and policies relating to the sticky federal loyalty-security program.

This week, the commission came out with a wide-ranging plan to revamp the program. Its proposals cut across all facets of the loyalty-security question. Included are recommendations for:

- Uniform industrial security rules for defense contractors. Right now, plants working on separate contracts for the Army, Navy, and Air Force are tied up in duplicating sets of red tape on clearances, fingerprinting, investigations, and other paper work.

- Creation of a Central Security Office to pull the strings on the loyalty-security program—coordinating regulations of various government agencies, providing full-time trained examiners to hear individual clearance cases, allowing for appeals in loyalty cases, and the like.

- Legislation permitting wiretapping in national security cases.

- Scrapping the "confidential" classification for government documents (while retaining the higher classifications)—thus reducing the "overclassification of information which retards scientific and technological progress."

- A security program for civilian air transport employees.

- Transfer of control over visas from the State Dept. to the Justice Dept.'s Immigration Service. Purpose is to avoid the confusion under which an immigrant may now be granted a visa by a U.S. consul abroad, then be denied admission at a port of entry by immigration officials.

- Likely Fate—To carry out the recommendations, a combination of new laws and executive orders would be needed. At this point, there's no sign how far Washington will go. It's likely, though, that most of the proposals will be shelved. The loyalty-security question is far less the significant, emotionally charged issue it was when the commission was set up in 1955.

- **Industry's Part**—Of direct interest to businessmen is the commission's look into the industrial security program. The report calls for tighter personnel security clearances on defense contracts, and provision for clearances before hiring.

But the commission turns thumbs down on legislative proposals to bar from any work in a defense plant employees not cleared for security. Its reasoning: "To make such a program . . . really effective would require screening of thousands of individuals not now subject to the security program, and the commission regards such screening as objectionable and unnecessary."

The commission would not allow denial of a security clearance to an employee to be made the basis of an unfair labor charge or to be arbitrated. It warns that collective bargaining agreements should be "consistent" with a defense contractor's "obligation . . . to protect the national security."

The commission also calls for liberalizing certain security restrictions by: (1) abolishing the Commerce Dept.'s controversial Office of Strategic Information and ending government regulation of unclassified defense information; (2) relaxing the "need-to-know" test, under which classified defense data is made available only to persons directly involved in projects related to the information.

• **Controversies**—For the most part, the recommendations in the 807-page report to the President and Congress have been accepted favorably. But at least one has stirred up a ruckus.

This aims to plug up leaks of secret information by making it a crime for newsmen, defense contractors, and others to reveal classified data, even though there may be no intention to harm national security. The proposal has been rapped by both Congressional leaders and editors.

The commission, headed by Los Angeles attorney Loyd Wright, former president of the American Bar Assn., included congressmen, a governor, high federal officials, lawyers, educators. Submitting the report, Wright took a swipe at the recent Supreme Court decision that intelligence agency files must be opened to a defendant in a criminal case if the data relates to evidence for presentation at the trial.

Said Wright: "I respectfully urge the Congress that if we are to keep pace with our enemies who seek to infiltrate our nation to subvert us, immediate legislation must be passed to negate the grave consequences which will flow from this confusing decision." Such legislation has been introduced, but there is little chance of action this year.



John Diefenbaker
Prime Minister



Donald Fleming
Minister of Finance



Gordon Churchill
Minister of Trade & Commerce

Canada Gets Its New Team

U. S. businessmen are studying the faces of key members (above) of new Cabinet for clues to future trade relations.

LAST WEEK, Canada's new Cabinet was sworn into office, after a surprise election result that caught even the new Conservative leader, John Diefenbaker, off guard (BW-Jun.15 '57,p52).

Already, the U.S. is viewing with some alarm the return to power—after 22 years—of the party whose attitude is traditionally "Canada First" where Canadian natural resources, exploitation, foreign political alignments, and U.S. investments are concerned. At least one U.S. company has decided to postpone a multimillion-dollar investment in Western Canada until it sees which way the wind blows.

Anti-Americanism was not an election issue in the Dominion, but the Tories' outspoken criticism of the defeated Liberal Party's lenient dealings with the U.S. over Canada's natural resources and raw materials is certain to make it a feature of relations with the U.S. from now on.

The first concrete sign of changes came this week, when Donald Fleming, new Finance Minister, announced a new surprise budget for this fall. The budget will feature (1) reduced income taxes; (2) higher old-age pensions; and (3) considerable relaxation of the Liberal government's tight money policy.

• **Tougher Policy**—Here are areas where Canada's new government may toughen up:

- There will be changes in Canadian gas and oil industry legislation. U.S. investors, who control 70% of the industry, get a better tax break than do Canadian developers. "We are not against American investment here," Diefenbaker said before the election, "but the present position is that Canadians are being discriminated against." Using the Gordon Commission Report (BW-Jan.19'57,p140) as a chart, Diefenbaker said that a Conservative government would change oil and gas development tax laws.

- Commonwealth and British trade with Canada will be stepped up. This week, Diefenbaker is in London attending the British Commonwealth Prime Ministers Conference, and he is sure to plug for British support. Britain now gets from soft-currency European outlets many raw materials that Canada once supplied. From Canada's standpoint, with 73% of its 1956 exports going to the U.S.—and with a U.S. trade deficit nudging the \$1.5-billion mark—the Dominion has too many eggs in the American basket. Also, the depressed British Columbia lumber industry, losing its long-term British markets to closer Soviet and Swedish competition will make necessary an immediate conservation realignment of staples export policy. So will the western wheat glut, now close to 800-million bu.

- The new regime may ease up on the Liberals' tight money policy (BW-Mar.16'57,p41).

- If the Conservatives get too unhappy about U.S. wheat policies, they could spike some U.S. farm sales to Canada. The Canadian West is complaining loudly about U.S. wheat

"dumping" and the policy the U.S. follows of accepting local currency in world markets. There already is a hue and cry arising over the Liberals' failure to apply Canadian dumping laws against the import of surplus U.S. fruit and vegetables this year and last.

- U.S. companies with major Canadian subsidiaries can expect legislative changes requiring them to (1) issue annual statements; (2) appoint a larger ratio of Canadians to directorships; and (3) make it easier for Canadian capital to participate their local enterprises.

- The Tories may refuse to release to U.S. government agencies confidential information affecting Canadians under U.S. security suspicion. This issue boiled up just before the election, when Herbert Norman, Canadian Ambassador to Egypt, committed suicide after his name appeared in a Senate Internal Subcommittee report.

- **The Top Team**—To implement these policies, Diefenbaker has picked a team completely untried in Cabinet operations but thoroughly experienced in Parliamentary procedure, and whose average age is about 15 years younger than the previous Liberal Cabinet.

Here's how the key men line up:

John Diefenbaker, 61-year-old Saskatchewan lawyer who replaces Louis St. Laurent as Prime Minister, already has had 16 years in Parliament. Along with his new title, he has retained that of Minister of External Affairs. Diefenbaker won the party leadership last year, after the resignation of George Drew.

Gordon Churchill, 58-year-old Winnipeg lawyer, replaces C. D. Howe, the

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to himself"

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controversial international industrialist, as Minister of Trade & Commerce.

Donald Fleming, 52-year-old Toronto lawyer, becomes Minister of Finance. Fleming, who during his 12 years in the House of Commons has made a specialty of trade and finance, is expected to be one of Diefenbaker's strong men.

E. Davie Fulton, a 41-year-old British Columbia lawyer, takes over as Minister of Justice. Fulton, a member of Parliament since 1945, is considered one of the brightest men in the new Conservative Cabinet, and is expected to take over External Affairs when Diefenbaker relinquishes the title.

Major Gen. George Pearkes, also from British Columbia, is Minister of National Defense, and is one of Canada's war heroes. He won the Victoria Cross during World War I, and commanded Canada's first army division in Europe in World War II. Though not so outspoken as other retired but nonpolitical Canadian Army brass, Pearkes is known to dislike Canada's all-out acceptance of the U.S. Strategic Air Command's type of continental defense planning.

• **Loyalist Roots**—To understand the party that is taking over the reins in Canada, you have to trace back to its forebears who helped to create the Dominion of Canada in 1867. These ancestors of today's Conservatives were the so-called United Empire Loyalists. They were Americans who fled from their homes in the 13 colonies during the Revolutionary War to the wilderness of Southern Ontario and Quebec, rather than abandon British monarchy. Down the years, generations of Conservatives have kept alive their preference for monarchical institutions.

Through the years the Conservative Party has clung to the theory that Canada could be a growing, independent nation within the British Empire.

• **Split With Tradition**—Today's Conservatives still carry the strong tradition of close ties with the British Commonwealth. Just how effective it is is questionable. The British Commonwealth is no longer the politically homogeneous structure it was in the 1930s, in the days of R. B. Bennett, Canada's last Conservative Prime Minister.

This curdled state will be evident at the London conference. The dominions were split over support of Britain's Suez action last fall. Canada stood aloof. Some Commonwealth entities such as Pakistan and India are constantly at each other's throat. All of them—especially the new Negro state of Ghana—detest the racial policies of the Union of South Africa.

Diefenbaker is now in London serving as his own foreign affairs expert. Where he will steer Canada in this complex political entity still bound by a common monarchy is anyone's guess.

AEC Aims at "Clean" H-Bomb

Despite skepticism of outside scientists, the Atomic Energy Commission insists it will soon come up with nuclear weapons that are 100% free of radioactive fall-out.

U.S. scientists have achieved a breakthrough of major proportions in development of nuclear weapons. That is about the only clear-cut conclusion coming out of recent Washington pronouncements on "clean," or "cleaner," nuclear bombs.

This week's news indicates that scientists have learned, theoretically at least, how to so clean up the atom trigger for an H-bomb that little dangerous radioactivity is left over to fall out.

Chmn. Lewis L. Strauss of the Atomic Energy Commission touched off a chain reaction of speculation—and controversy—when he announced Monday that the commission's weapons experts have worked out details of a hydrogen fusion bomb that is 95% clean of deadly radioactive fall-out. Two days later, Pres. Eisenhower added in his press conference that AEC scientists predict they can produce a 100% clean H-bomb in four or five more years.

• **Skeptics**—Strauss' claim was greeted with outspoken skepticism by non-AEC scientists and some politicians. The scientists pointed to a recent statement by Dr. Alvin C. Graves, director of AEC's weapons testing. Graves told the Joint Congressional Committee on Atomic Energy in the recent fall-out hearings that an absolutely clean H-bomb is impossible to build.

Strauss' statement came when pressure has been building up for a termination, or limitation, of nuclear bomb tests because of the radioactive material that they throw into the atmosphere (BW-Jun.8 '57,p50). Nonetheless, the U.S. has announced its willingness to negotiate an international agreement on suspension of tests—an offer, the President said this week, that is still good.

• **Scientific Qualms**—Scientists outside government explained the problem of a "clean" H-bomb this way: The fusion of hydrogen atoms to form helium, the process that occurs in such a weapon, itself releases little serious radioactivity. But the reaction requires extreme heat, of the order of 1-million C. This is obtained by use of an atomic, or fission, bomb as a trigger for the hydrogen reaction.

But atomic bombs, to date at least, appear to be inherently "dirty" weapons. The splitting of the uranium or plutonium atoms used results in some 80 new isotopes, many of them highly radioactive for long periods of time. And exploded amid the intense

energies of an H-bomb, the triggering A-bomb produces much more radioactivity than if it were simply exploded by itself as an ordinary A-bomb.

• **Theatrical**—The announcement of the new development had an almost theatrical setting. Strauss had just talked to the President, accompanied by three of the scientists who say a "clean" bomb is now possible—Dr. Edward Teller, Dr. Ernest O. Lawrence, and Dr. Mark M. Mills, all of the University of California Radiation Laboratory at Berkeley.

The California scientists had come to Washington on the invitation of Sen. Henry M. Jackson (D-Wash.), a member of the Joint Committee on Atomic Energy. Jackson, like most Democratic members of the joint committee, previously had been critical of the hazards of unlimited bomb testing.

• **All on Paper?**—Strauss and his experts simply said they could produce an H-bomb that was 95% clean. It was clear that no such weapon had yet been produced. But Teller's reputation in weaponeering is such that no one suggested the possibility that his mathematical calculations could not be translated into a working bomb.

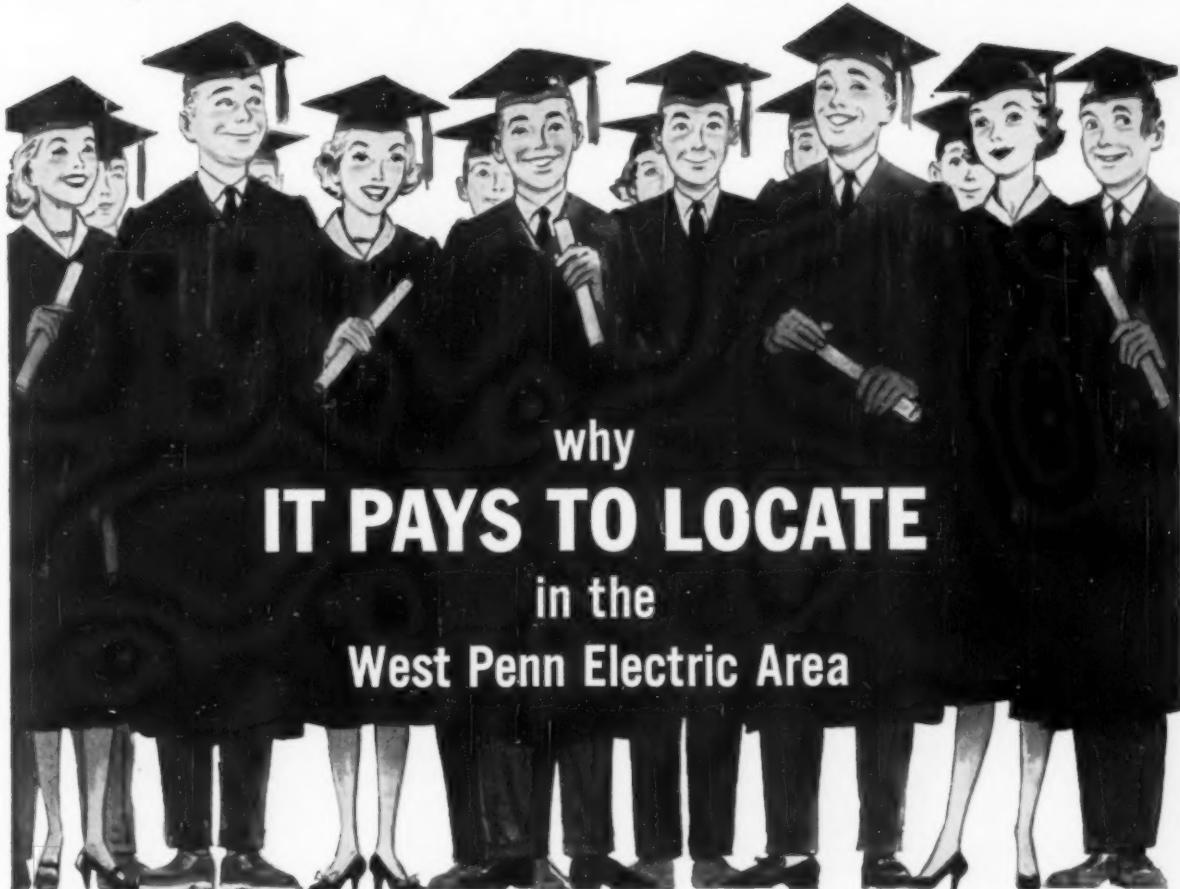
The President himself solved the mystery about the 95% figure and, incidentally, boosted it to 96%. The proposed bomb, he explained, would produce 96% less radioactive fall-out than the H-bomb we exploded at Bikini in March, 1954.

This threw doubts on the week's developments. The 1954 H-bomb was the "dirtiest" we have ever exploded. It spread deadly fall-out over a tremendous area and "burned" the crew of the Japanese fishing boat *Fortunate Dragon*. Some quick calculations indicated that an otherwise identical bomb, made 95% "cleaner," would generate many times the fall-out of the two bombs dropped on Japan.

The California scientists obviously convinced the President that a completely "clean" H-bomb can be produced eventually. They also convinced both Democrats and Republicans on the Joint Atomic Energy Committee.

But only these people, and presumably some other highly placed defense and Atomic Energy officials, knew the details as to how the atomic trigger had been cleaned up. That a break-through had been achieved was all any of these sources would reveal.

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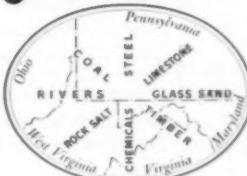
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In Business

Battle Looms for Control of Schering As Revlon Buys Big Slice of Stock

A probable proxy fight is shaping up over control of Schering Corp., maker of pharmaceuticals. Last week Revlon, Inc., served notice that it has acquired some 8.5% of Schering stock and intends to go into the drug business.

This is probably the largest single block of Schering stock (all of its management owns less than 1%) but other large blocks are known to be held in brokers' names. Indications are that Schering management will not welcome the approach of the highly promotional-minded Charles Revson, who controls Revlon and who has driven that company into the top rank of the cosmetic field within a half dozen years (BW-Dec. 13 '52, p63).

Montgomery Ward Buys Outlets In Chicago, Wins Back an Executive

Montgomery Ward & Co. this week bit off for itself a large chunk of the Chicago retailing field. In the biggest deal of the post-Sewell Avery regime, Ward is buying control of The Fair, Chicago department store chain, whose four outlets have six times the floor space of Ward's single outlet, some distance from the Loop.

In a deal to be completed July 24, Ward is paying Detroit's Kresge Foundation \$7.5-million for its 301,000 shares in The Fair. Later it will offer to pay other stockholders for their 20% interest at the same \$25-a-share rate. For the fiscal year ended Feb. 2, The Fair's sales were almost \$45.6-million.

This was a busy week for Ward. Early, it announced that Paul M. Hammaker was returning to the company as executive vice-president and general manager. Hammaker left Ward in 1942, and resigned recently as senior vice-president of Marshall Field & Co.

Another Conversion for "Little Big Inch"— It's Going Back to Oil From Gas

The "Little Big Inch" pipeline is going to be converted back to carrying its first love—liquid petroleum products. Texas Eastern Transmission Corp., which converted the pipeline to natural gas after World War II, has been given permission by the Federal Power Commission to make the shift back.

The reconversion will affect a 1,168-mi. stretch from Baytown, Tex., to Moundsville, W. Va., and a spur from Seymour, Ind., to Chicago. The conversion job will cost Texas Eastern around \$35-million, and the company has been authorized by FPC to spend another \$61-

million on substitute facilities for carrying natural gas.

Both the "Inch" pipelines were built by the government during the war to secure submarine-proof transportation for oil. When Texas Eastern took over the "Little Big Inch" after the war, it quickly converted to natural gas, thus getting a year's jump on competitors in bringing gas to the big East Coast market.

Now Texas Eastern is converting back to oil, because it says a pipeline offers cheaper and more reliable transportation to the Chicago area than barges.

Court's Swing at Boxing "Monopoly" Knocks Norris, Wirtz Out of Garden

Federal Judge Sylvester J. Ryan brought to a close the government's antitrust case against James D. Norris, Jr., and Arthur M. Wirtz this week by ordering them to dispose of their stock in Madison Square Garden Corp., and to dissolve the International Boxing Clubs of New York and Illinois.

The two men are officers in the Garden Corp. in which they own approximately 39% of the stock. They also control the Chicago Stadium. The boxing clubs, which promote most of the major championship bouts, are wholly owned subsidiaries of the two stadium companies. Part of Judge Ryan's decree directed that the Madison Square Garden and Chicago Stadium be made available to other promoters on a "reasonable rental basis."

The decree follows a Mar. 8 decision in which the judge found Norris and Wirtz guilty of conspiracy in unreasonable restraint of trade in the promotion of championship boxing contests and conspiracy to monopolize trade and commerce in the same field in violation of the Sherman Act.

Business Briefs

"Back to mothballs" are the sailing orders for the 49 tankers that the U.S. hauled out of the reserve fleet to help meet the Suez crisis. With cargoes returning to normal, the government is resuming its practice of chartering private tankers for its logistic needs. As a result, six reserve tankers will return to mothballs this week, the rest by the end of the year.

The Deutsche Bank of Frankfurt, Germany, this week bought the controlling interest in Hugo Stinnes Corp., which had been seized by the U.S. during World War II as enemy alien property. The bank—acting for unnamed interests—bid \$19,646,428 for the 530,712 shares in the New York holding company, which has assets in German mining and chemicals. It was the only bid.

The Texas oil allowable for July has been cut by 390,449 bbl. per day below the June 15 figure by the Railroad Commission. The July limit of 3,027,786 bbl. a day allows only 13 production days—the fewest on record—as against 15 in June.

World production of coffee will be 50,395,000 bags in the year beginning July 1, the Agriculture Dept. predicts. That's a solid rise from the 42,262,000 bags in the past year.

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"These channels actually cool the battery"

*At the Exide Laboratories—***Reporter:** First, Mr. White, tell me what makes a battery hot.

White: Heavy loads—they often raise battery temperature as much as 20 degrees.

Reporter: How do the channels cool it?

White: The heated electrolyte rises to the top through the channels. Plates are cooled by electrolyte coming up from the bottom.

Reporter: Don't all batteries have channels?

White: Unfortunately, no. It is the tubular construction of the Exide-Ironclad positive plate that leaves these channels on both sides.

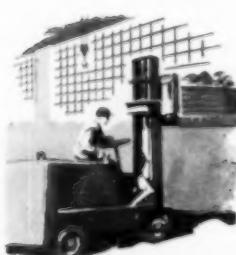
Reporter: What does this feature mean in battery performance?

White: Longer battery life, for one thing. The battery stays cooler. Has less incidence of hot spots. Plates operate at a more uniform temperature.

Reporter: Obviously this is an important feature of Exide-Ironclad.

White: Yes it is, but it's just one of many engineering details that contribute to its high capacity and long life.

Note to battery users: Whenever you order heavy duty batteries or the equipment that requires them, be sure to specify Exide-Ironclad. For detailed bulletin, write Exide Industrial Division, The Electric Storage Battery Co., Philadelphia 2, Pa.



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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JUNE 29, 1957



Let's take another look at Congress. It's midyear and the session will adjourn in another four to six weeks.

Eisenhower's influence is strengthening. His decision of a few weeks ago to step down and play a little politics with GOP congressmen now shows promise of paying some dividends. Party lines are now stronger.

The economy drive is slowing. Eisenhower's requests for appropriations still will end up by being cut some \$4-billion. But experts say even these cuts will not keep 1958 fiscal year spending inside the President's own \$71.8-billion estimate. The better guess is that it will be \$1-billion higher.

Take foreign aid as an example. It faced a meat-ax attack until Eisenhower went to the public via radio and TV.

Eisenhower will get most of what he wants. Though he started out by asking for a \$4.3-billion program, Eisenhower made a \$500-million cut before the Senate took up the measure. The Senate cut only \$200-million, down to \$3.6-billion. The House may not buy every last cent of that, but there is no longer any threat to gut the program.

Then, there's the Senate's approval of the atomic treaty. The quick O.K. was a surprise. Disarmament prospects help on this. But there's no denying that Eisenhower's personal contact with party members lined things up.

You are beginning to see results on the domestic front, too.

A few weeks ago, the prospect was that Congress would put through the regular appropriation bills and then go home, leaving most of Eisenhower's program dangling. But now Republicans in Congress seem more determined to get a few things done.

Civil rights illustrates what's happening.

Here's some background to keep in mind. Eisenhower got a strong vote from the Negroes in his 1952 campaign. Then came the so-called Warren decision from the Supreme Court outlawing school segregation. In last year's second term landslide, Eisenhower increased his share of the Negro vote. Now there's a real determination to put through the so-called "right-to-vote" bill. In the South, Southerners who gave Eisenhower strong support in 1956 are bitter. Their feeling had been that Eisenhower would use the soft pedal on the racial issue. Now, they are alarmed.

Look back to the '30s for the politics in the civil rights bill.

Roosevelt used labor to bolster the Democratic Party. The AFL under the leadership of the late William Green was not aggressive in politics. Roosevelt saw the political possibilities of widely organized labor functioning as a subsidiary of the Democratic Party. He encouraged John L. Lewis to organize the CIO—then the new-type industrial union. The Roosevelt-Lewis political alliance was short-lived. But the organization stuck with the Democrats. The leaders still work in that party, although Eisenhower has split the rank and file.

The Negro vote is today's new political bloc. Even in many areas of the North and East, it hasn't been encouraged to go to the polls. And in the South, it has been discouraged from voting.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JUNE 29, 1957

Eisenhower is a big influence in Congress on this issue. Until a few weeks ago, final action on a civil rights bill at this session seemed to have little or no chance. But by talking with party members, at breakfasts and in his office, the President has persuaded many votes to his side. You see the results on the record now.

In the House, there was just about an even chance that the jury trial amendment would be put into the bill. Eisenhower didn't want this. He knew that such trials would just about stop integration, by giving local juries the say on injunction cases. So, he laid it on the line with House members from Northern and Eastern states, where the Negro vote is big. And he won.

In the Senate, it was much the same story. The Judiciary Committee under Chmn. James Eastland of Mississippi had the civil rights bill bottled up. What's more, it had tacked on a "right-to-work" amendment to the "right-to-vote" bill. Then, the liberals took over. A few Democrats studied the Senate rules and came up with the idea that the House bill could be scheduled for a vote without going through the Judiciary Committee. Republicans, pushed by the White House, climbed aboard. The record shows a big majority of the Republicans, supported by a few Democrats, voted to give the Negroes a "right-to-vote" law.

School aid chances haven't been improved. Odds still are that Congress will adjourn without any final action.

Eisenhower plugs the program at every opportunity. But there are doubts among Republicans and Democrats alike about the President's enthusiasm.

Note the Williamsburg talk this week. The President spoke of a new allocation of state and federal responsibilities. He didn't refer directly to the school issue in his speech to the Governors' Conference, but Virginia's Gov. Stanley had only that day pronounced schools as outside the federal jurisdiction. If Eisenhower wants a bill, he might be able to get it. But he's got to turn the heat on.

— • —

Keep an eye on California politics—the moves by the Knight, Knowland, and Nixon forces. They can influence GOP chances in 1960.

Gov. Knight plans to run for reelection. Any question about his intentions was settled this week. Knight, at the Williamsburg Governors' Conference invited Senate GOP leader Knowland to stay out of the race for the governorship next year. Knight's reasoning was that if Knowland came in, then the Republicans would split and the Democrats might wind up with both the governorship and the Senate seat Knowland is vacating.

Knowland still won't say what he will do, other than that he will retire from the Senate next year. But odds that he will run for governor in California rose when he took issue with Knight. Knowland pointed out that Knight joined Stassen last year in the "dump Nixon" move, claiming Nixon would lose California.

Nixon is staying out of the ruckus. Friends say he doesn't regard Knowland as a serious challenge in 1960. If Eisenhower doesn't finish his term, then Nixon would take over and that would end the argument. If Eisenhower does finish the term, it still will be hard to head Nixon off.



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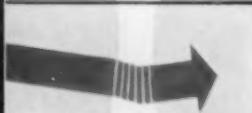


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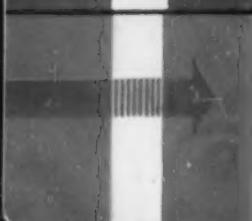
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WINDOW GLASS: Its surfaces are fire-finished . . . not ground for uniformity of thickness as is plate glass. As a result, the surfaces are wavy and there is distortion of vision and of the reflections in the glass.



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This picture tells you how.

The glass in these two demonstration windows was backed with black composition board to simulate the mirror effect of windows in a building. In the window at the left, glazed with ordinary sheet (or heavy window) glass, the reflections are distorted . . . wiggle all over. Imagine a wall full of windows like that — it would make the building look like a badly wrinkled suit.

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FINANCE

THESE NEW ISSUES:

	With these Coupons	Got these ratings	Under- writers offered them at these prices	When the syndicate broke up the prices dropped to	At midweek they were selling at
Taxable Corporate Bonds					
Central Maine Power	47 8% '87	A	102.799	96	97
New York Telephone	4 1/2% '91	Aaa	101.755	98.75	97 1/8
Northern States Power	4 5/8% '87	Aa	100.00	97	97 1/2
Potomac Edison	4 5/8% '87	A	101.715	97	96 1/2
Tax Exempt Municipals					
Jacksonville Expressway	4 1/4% '92	NR*	99.50	94.1	89 1/2
Michigan N'west'n Expressway	3 1/2% '67**	Aa	104.73	101.27	98
San Francisco	2 1/2% '67**	Aa	100.00	96.97	94 1/8

* Not rated

** 10-year maturity taken as representative

Pangs of the Bond Business

For underwriters, "a profitless prosperity." For borrowers, sharply higher interest rates and non-call clauses. For investors, yields approaching those of equities.

This week's quotations for the bond issues shown above made painful—and expensive—reading for a lot of underwriters on Wall Street. Although in public they kept a stiff upper lip about the losses they've suffered, many investment bankers were privately crying the blues.

Not all underwriters have been hurt in the past few months, but the few that have not are exceptions. Business in general is booming, and a great many companies are in the market with long-term bonds. Some of these new offerings have sold well, with handsome profits for the underwriters. But a lot of other issues have fared poorly, producing substantial losses. Said a harassed investment man last week: "If you want an example of profitless prosperity, the underwriting business is it."

• **Competition for Funds**—The basic cause of the rough sledding for investment bankers is the strong demand for long-term funds at a time when the Federal Reserve is severely restricting the money supply (BW-Jun.22'57, p26). In order to market new offerings, underwriters have had to push rates way up. Even so, some issues have not been sold out, leaving the investment bankers holding the bag.

Just how big a financial burden the underwriters have had is difficult to determine. There is no question that they have lost money in floating new

issues. Even more important, the big jump in yields on new flotations has made it harder to sell the issues already outstanding, causing a big decline in prices. Most underwriters have big trading departments that carry an inventory of securities, and this slide in prices has cost them sizable losses.

Most government bond dealers are experiencing the same trouble as Treasury issues plummet to new lows. To carry inventory for everyday trading, they must both tie up capital and borrow from the banks. Because there has been little activity in the market, most houses are unable to count on trading commissions to offset inventory losses.

• **Cloud Over Market**—One big cloud hanging over the whole bond market—government, corporate, municipal—is the fear that at some point some investment house will be forced to dump its inventory for whatever price it can get.

This could happen, say underwriters, if a bank gets suspicious about the position of a house and calls its loans, or if the house itself finds that its capital position has been impaired. According to one underwriter, any dumping of bonds at this time "would demoralize the market, which is pretty sick as it is."

It is freely rumored in Wall Street that one or two houses are in trouble. So far, all investment banking firms have weathered the storm. But the smaller houses, which are less able to

stand serious losses, are in a difficult position, particularly those in the municipal market. "We may not see any firm going under," says one experienced market man, "but if present conditions continue, I'll bet there is a convenient merger or two."

• **Pay Well**—Bankers hope that the new high level of interest rates will bring the supply of funds in line with the heavy demand.

The biggest investors in long-term bonds—pension funds and trust funds—have shown renewed interest in issues with high interest tags. Up until now, they've been more active in the stock market, on the grounds that equities provide a better hedge against inflation. But they're also beginning to doubt that this is a "normal" inflation. Signs now indicate that it could be a cost inflation—and so more apt to cut profits. Thus the big hike in the coupon rate, which has sent yields on top-graded utilities to 5% or better, is beginning to draw investors.

The head of one institutional investment fund considers that the 6% yield now available on good utilities is a compelling reason to buy. "Utilities earn only about 6% on their investment," he states, "so utility bonds are now preferable to utility stocks."

• **Miscalculation**—Until rates moved up, it was the underwriters, not the borrowers, who took a beating. One investment banker who admits to getting hurt in a couple of recent offerings explains that the whole investment banking community was slow to adjust to the squeeze on money.

"Money has been tight for two



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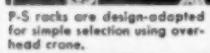
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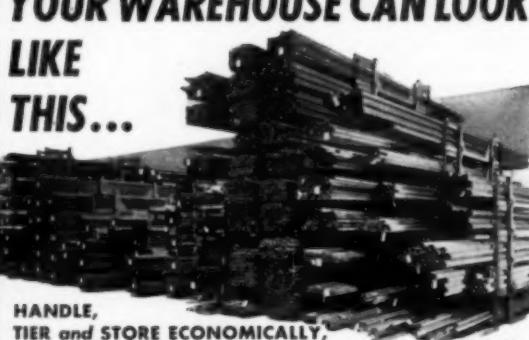
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years," he explains, "but we haven't felt the pinch until the last few months. Most of us figure that it would not be too hard to reach a balance between supply and demand. That's a mistake that has cost us plenty."

• Escalator—In the past few weeks, there has been a radical upward movement in rates. For example, yields of high-grade municipal bonds, which were 3.44% in May, soared to 3.79% last week. Last June, they averaged only 2.75%; in August, 1954, only 1.9%. Similarly, yields on high-grade corporates have climbed from a low of 2.6% in 1954 to a 25-year high of 3.71% last week.

The adjustment in yields of outstanding issues tells only part of the story. There has been an even sharper adjustment in the borrowing cost on new offerings. Last October, for example, Southern Bell Telephone & Telegraph sold a \$60-million issue at 3.9%; last week it sold \$70-million at 4.9%. And Michigan Consolidated Gas Co., which paid about 3.4% for \$30-million in 1955, paid 6.1% last week.

In general, the coupon rates placed on new offerings have ranged well above the yields of outstanding bonds, which are selling at deep discounts. For example, Southern Bell's new issue, which carries a 5% coupon, came out at a price of 102.32 to yield 4.85%. Its outstanding 2½% bonds of 1987 are quoted at 79 to 80, which is a yield of about 4%.

• Pricing—The underwriters hit their target right on the nose in the latest Southern Bell offering. Open market bids for it are now over two points above the original price. But underwriters say that usually pricing a new issue in today's market requires not only skill but also nerve and luck. "You can't be sure of any factor in pricing an issue," states one pricing expert. "It's like skating on thin ice, and you're lucky to avoid falling through in this kind of market."

The key factor in pricing is, of course, judging the state of the market. This entails a good many considerations—gauging the market's reaction to similar issues, estimating potential buying power, predicting the future course of the market.

One underwriter describes his feelings this way: "You go to bed after some long, hard sessions reasonably sure you have a fix on the market, figuring that it will take just so much at such and such a price, which will give you a decent profit for all your hard work and risk. You wake up to find that the market will take just half of your issue, and then only if you provide a bigger yield than you counted on. You wind up with a loss and wish you had taken up dentistry."

• Getting Choosy—In any bid, each

Trends and outlook for TAX-EXEMPT BONDS at mid-year 1957

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firm has to decide not only the price but also the size of the commitment it is willing to make. This involves an examination of its inventory to see how much it can handle.

Last week, for instance, First Boston Corp., one of the biggest underwriting houses, was reported to be sitting out issues that it felt were hard to market. Other firms are also being more selective in making bids.

But there's a limit to just how selective an underwriter can be. As one points out, "If you stay out of the risky issues, you're not likely to get the sure things."

• **Florida Lemon**—As a matter of fact, the biggest headache this spring was not a competitive issue but a negotiated one, which is normally much less risky. This was the \$70-million Jacksonville (Fla.) Expressway issue, which was taken by a syndicate of underwriters headed by Smith, Barney & Co.

Priced to sell at 99½ to yield just over a 4½%, the issue encountered heavy going. When the syndicate broke up with over \$6-million still unsold, the price dropped to 94. Insiders point out that the unsold portion did not indicate the complete extent of the failure, because most of the individual members of the syndicate were holding large blocks of the bonds. This week, the Jacksonville bonds were selling at 89½—exactly 10 points below the original offering price.

• **Buyer's Market**—The Jacksonville flop provides a good example of the troubles that beset the underwriters. The size of the issue was itself a drawback.

Large issues are extremely hard to sell to investors because, in the buyer's market that exists, they don't want to make big commitments that will prevent them from taking advantage of other offerings.

Then, too, the pricing was too fine. "We thought we had priced the issue at the market," explained one underwriter, "but the market escaped right under our pencils."

In the past few weeks, most underwriters have been trying to protect themselves by increasing the costs and tightening the terms to borrowers, in order to whet investors' appetites. Investment bankers require that borrowers agree to non-call provisions that would prevent them from refunding their new issues if rates should get cheaper.

This week the market appears to be stabilizing, but the underwriting fraternity doesn't yet feel it is out of the woods. Some investment bankers predict that there will be more flops of new issues in coming months. Says one: "As long as the demand for funds stays strong, we can't afford to relax." **END**



MARKED IMPROVEMENTS in IDENTIFICATION AND DECORATION

Now you see it, now you don't... sometimes characterizes marking done on Markem machines. This isn't a problem of fading, or wear and tear (our "Ink Lab" takes particular pains to see to that). Rather, it's where the marking shouldn't show normally, or where it's used only during manufacturing. An example of the first is putting a trademark on eyeglass lenses, using our 70AB machine and special "breath image" ink which is, as you might expect, visible only when breathed upon. The second type of "now you see it" marking is illustrated by production control numbering of radio tubes with a Markem 45AG machine, instead of hand stamping them. Numbers are removed and replaced by a trademark imprint when tubes are completed. Thus even "temporary" marking, done the Markem way, can be useful.

Seven come eleven, and other games... like the sporting goods story told here previously, are all part of "industry's marking requirements." They also show how Markem sees the job through, from machine to final mark. Using a standard 25A machine, with special fixtures suggested by Markem, one manufacturer is now printing one side of 15 dice at a time. Compared to leaf stamping them individually, the Markem method has cut costs and boosted output tremendously — resulting in a second machine order. A similar business is running up their score, printing game tiles 132 at a crack with a special 25A. Whether your business is games, drugs, electronics, textiles, shoes or another field — your marking problems have answers at Markem.

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Subscription Price \$27 a Share

The several Underwriters may offer shares of Common Stock at prices not less than the Subscription Price set forth above (less, in the case of sales to dealers, the concession allowed to dealers) and not more than either the last sale or current offering price on the New York Stock Exchange, whichever is greater, plus an amount equal to the applicable New York Stock Exchange commission.

Copies of the Prospectus may be obtained from only such of the underwriters as may legally offer these Shares in compliance with the securities laws of the respective States.

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June 18, 1957.

Insurance Battle

The auto policy industry goes ahead with rate boost in Connecticut, defying official withdrawal of O.K.

The auto insurance industry, which ran in the red by \$78-million last year (BW-Mar.16'57,p139), has been pushing through rate increases in one state after another.

In 24 states the path has proved relatively smooth and the industry has won increases averaging 16%. But last week it ran into resistance in Connecticut, and a stalemate developed.

The story began on May 14, when the Connecticut Insurance Dept. approved liability rate increases averaging 18.4%, to go into effect on June 19. Then, one day before the effective date, the department telegraphed a withdrawal of the permission to the industry's two official rating bureaus—the National Bureau of Casualty Underwriters for liability and the National Automobile Underwriters Assn. for physical damage.

• **Defiance**—Both bureaus shouted "foul!" And after a hurried parley they announced that they were putting the new rates into effect, defying the state on a variety of grounds.

At midweek, the Insurance Dept. had made no decisive riposte to the defiance. It contented itself with the somewhat cryptic announcement that it was hiring an independent firm of actuaries to study the insurance situation, and that "if the study should indicate that the new rates are unjustified, a hearing will be held."

The industry bureaus, for their part, made a rather elaborate defense of the decision to go ahead with the rates. To begin with, they said that the state had no legal right to withdraw its approval because it had failed to meet the requirements of due notice and subsequent hearing.

• **Discussions**—Moreover, they argued, they had filed the new rate schedules, plus supporting data, more than a month before Insurance Commissioner Thomas J. Spellacy granted his approval—and that in the meantime the statistics had been discussed at length with the Insurance Dept. On a final plaintive note, they point out that thousands of new rate schedules had been distributed to companies and agents before the O.K. was withdrawn.

Speaking privately and bitterly, one industry spokesman said the withdrawal of permission was purely political—"The higher rates make Gov. Ribicoff's vigorous safety campaign look unsuccessful." END

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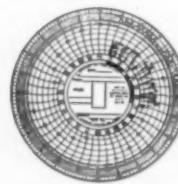
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CHECK COLLECTIONS

Guaranty Regional Clearing Plan Reduces Companies' Check "Float"

Collection Method Helps Treasurers Save Time and Cut Credit Risks... Makes Funds Available More Quickly.

One big problem every company treasurer faces today is the problem of converting his receivables into available funds in less time. This is particularly true in the case of a company doing business over a widespread area.

Conventional methods (see chart) leave much to be desired in the way of speed. Each check received by a company must go through a procession of steps. And in many companies, monthly peak load periods often mean longer "float" time, plus the cost of clerical overtime to handle the greater number of items.

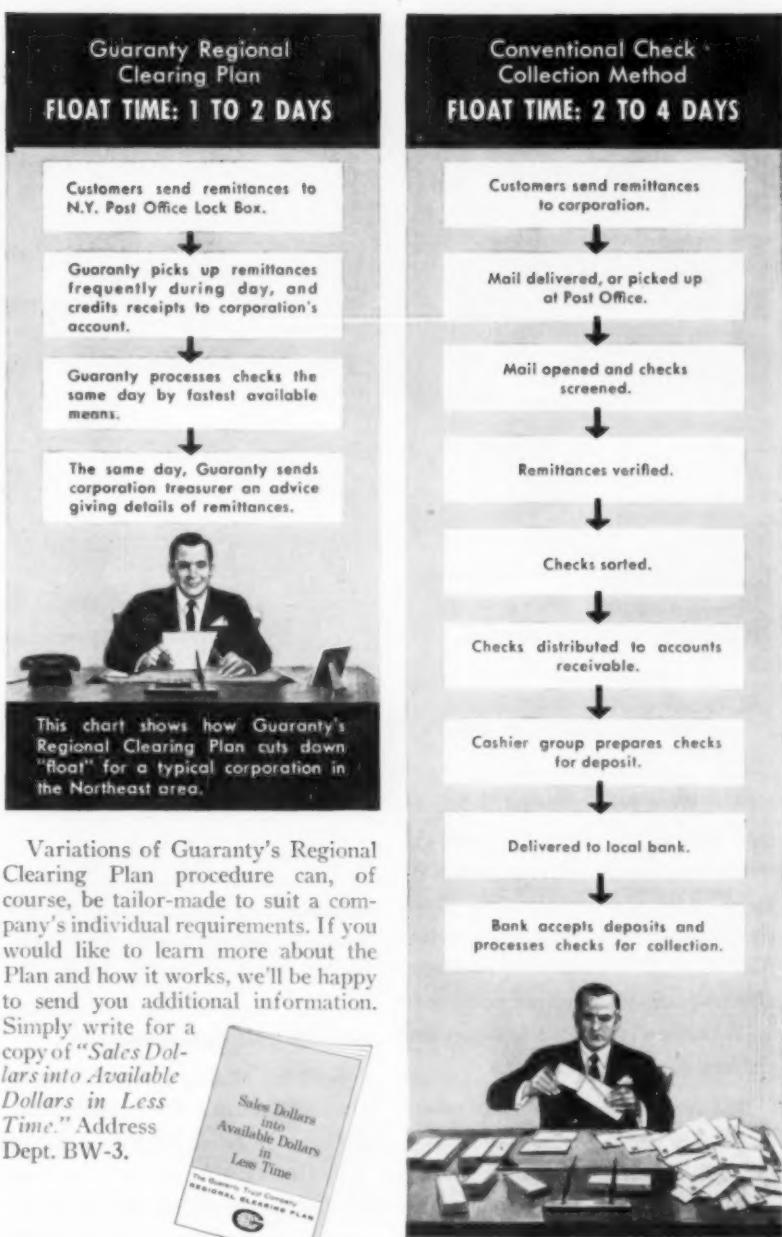
Since anywhere from one to four days of "float" are involved, the treasurer must wait that long to learn of dishonored checks; he must also wait that long before his floating remittances are available for use.

The Guaranty Regional Clearing Plan, by streamlining the entire check collection system, offers these specific advantages:

1. A saving of one or more days of "float" for customer remittances. Customers in Northeast area, for example, would mail checks to a New York Post Office Lock Box, which is serviced at frequent intervals during the day by Guaranty. Checks are credited to corporation's account, and Guaranty prepares checks for presentation by the fastest available method.

2. Elimination of peak load work problems. All processing operations are handled by Guaranty. Treasurer receives daily advice, giving details necessary to reconcile outstanding accounts receivable.

3. Reduction of credit risks. Cutting down check presentation time means that the treasurer has quicker knowledge of weak credit situations.



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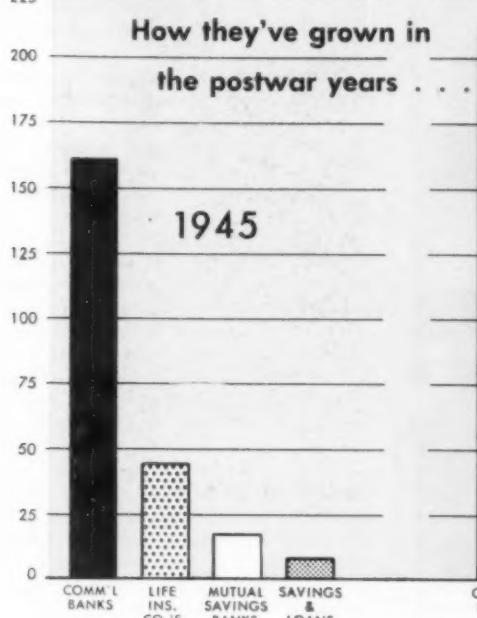
The Far West—Where the Name Richfield Stands for the Best in Petroleum



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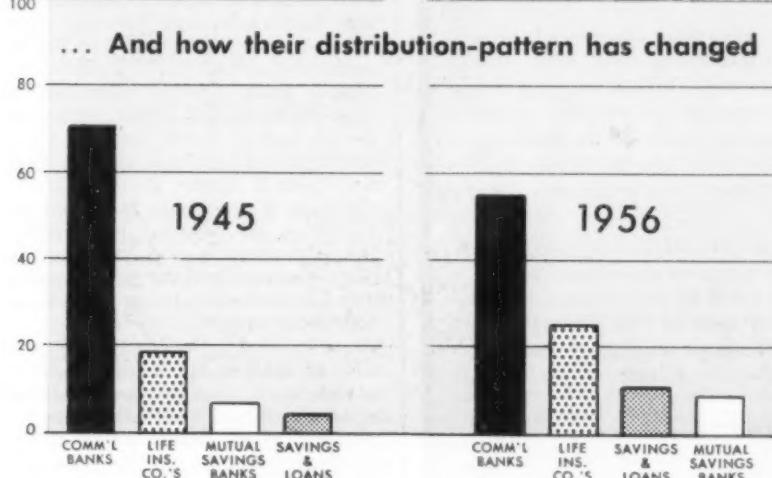
Assets of the Major Financial Institutions

Size of Assets in Billions of Dollars



How they've grown in
the postwar years . . .

Individual Distribution of Assets in Percent of Total



Data: Federal Reserve Bank of St. Louis

Banks' Share Dwindles

In relation to some of their rivals, commercial banks have lost ground in assets.

THE FEDERAL RESERVE Bank of St. Louis has come up with answers to two questions that have long been pestering the nation's bankers:

- How has the commercial banking system been doing in relation to

the non-banking financial institutions—chiefly life insurance companies, savings and loan associations, and mutual savings banks? These institutions are at one and the same time competitors and customers for the commercial banks.

- Have changes in the relative positions of these institutions weakened the influence of the Federal Reserve System? The Fed can influence com-

mercial banks directly, the others only indirectly.

After a searching look at the historical record of the U.S. financial system, the Fed's St. Louis outlet produced these findings:

- The commercial banks have lost ground (charts), but not so much as most people seem to think.

• The influence of Federal Reserve action has not been lessened to any important degree by the growth of nonbanking financial institutions.

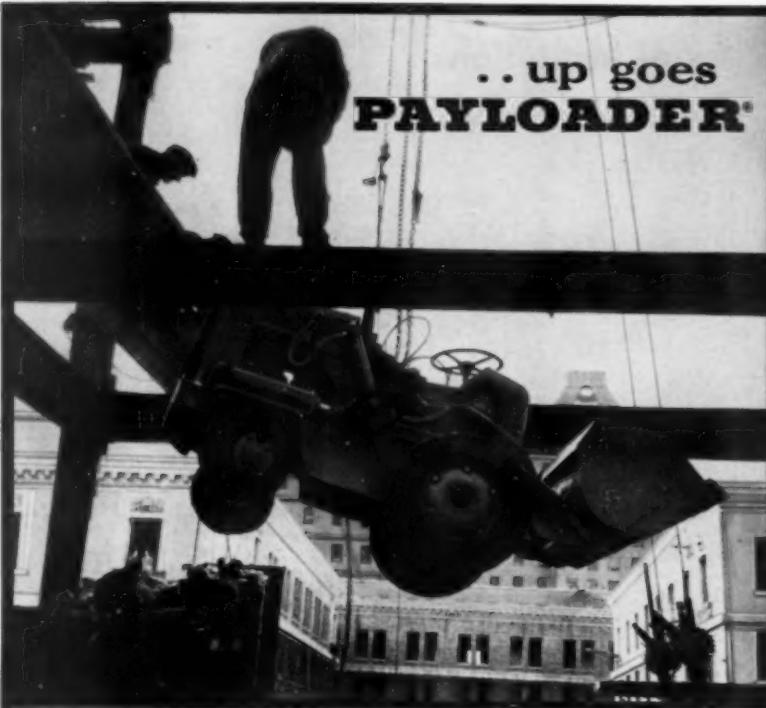
- **Changing Places**—Since the end of World War II, the assets of all four types of institutions studied have grown. But there have been two important shifts in their relationship: S&Ls have taken over the third-ranking position from mutual savings banks, which are now in fourth spot, and the commercial banks have yielded to their competitors in share of total assets.

During the depression of the 1930s, commercial banks' share of total assets held by all four types of financial institutions dropped to 51%. But the banks regained their preponderance by the close of World War II. Since then, however, there has been a decline—particularly sharp in 1953-56. This, says the St. Louis Fed, was largely due to the slowing of growth in the money supply during the same period.

The same pattern shows up with liabilities—total deposits of commercial and mutual savings banks, policy reserves less policy loans of life insurance companies, and share accounts of individuals in S&Ls. The relative position of commercial banks became stronger with the deficit financing of the two great wars, weaker in the periods following.

- **Under Control**—As the relative importance of commercial banks has diminished, there have been suggestions from some financial quarters that certain other institutions should be brought under government regulation, to allow control of the supply of financial assets that they create. But, the St. Louis Fed suggests, these other institutions are no less sensitive to monetary policy now than they were in the past.

Says the bank: "Commercial banks alone participate with the central bank in the expansion and contraction of the money supply . . . [thus] the non-monetary intermediaries cannot escape the influence of monetary policy . . ." moreover, the bank says, Federal Reserve policy also influences the behavior of life insurance companies, S&Ls, and mutual savings banks by controlling changes in the market value of their chief assets—long-term securities. END



...down comes Marguery

Workmen wrecking the once fashionable Marguery apartment-hotel on Park Avenue got a big helping hand when this "PAYLOADER" arrived on the tenth floor. The 2½-ton tractor-shovel makes quick work of lifting, carrying and pushing rubble into chutes leading to the waiting trucks below as the building is demolished floor by floor. The contractor claims the versatile "PAYLOADER" more than paid for itself in a few weeks time "through savings in labor alone."

FOR UNLIMITED MATERIAL HANDLING ASSIGNMENTS, this Model HA rubber-tired tractor-shovel provides a combination of speed, maneuverability and flexibility unmatched by any other type of equipment. Thousands of "PAYLOADER" installations in all kinds of plants have accounted for tremendous cost reductions through increased production. Indoors or outdoors, their performance is unsurpassed.

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FINANCE BRIEFS

Government debt of \$83.5-billion falls due within the next 12 months. The biggest single maturity will be the first: \$12-billion of 2½% notes due on Aug. 1.

Housing starts will be down to around 900,000 this year, says National Gypsum Co.'s chairman, Melvin H. Baker. He adds that the gypsum industry now has enough rated capacity to supply 1.3-million starts a year, if it operates on a 24-hour day, six days a week.

Another borrowing-cost high has been set by the Federal National Mortgage Assn., the government agency that buys and sells government-backed mortgages in the secondary market. To sell \$100-million of 10½-month debentures, Fanny Mae had to attach a 4½% interest coupon and accept a price of par.

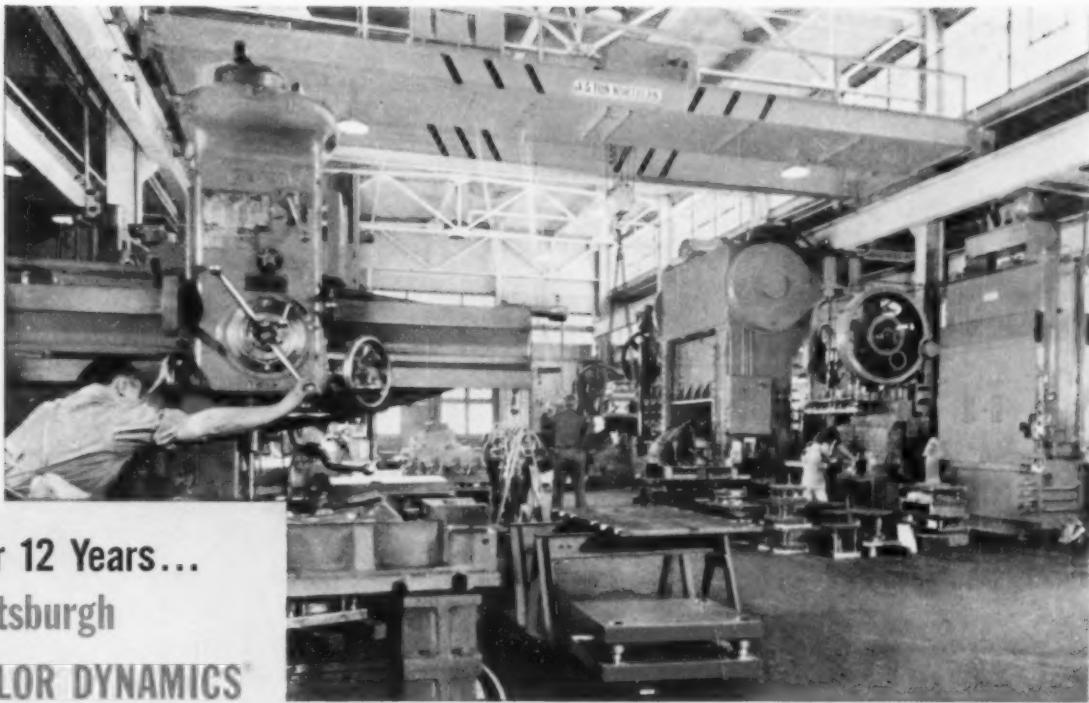
Cash dividends in May reached \$311-million, a rise of \$11.1-million or 4%, above the 1956 month, says the Commerce Dept. For the January to May period, stockholders received \$3.9-billion, a rise of 3.5%.

Investment trust miscellany: Open-end and closed-end funds between them now have more than 3-million shareholders, says the National Assn. of Investment Companies. . . . Yields of the mutual funds devoted exclusively to common stocks now average lower than the "balanced" funds that also go in for bonds and preferreds, says the magazine Trust & Estates. Both the 2.93% return on the commons funds and the 3.27% on the balanced outfits reflect the high-price-low-yield status of so many commons, and the money squeeze that has boosted the rate of yield on fixed obligations.

Gifts of stock to minors used to be so snarled in red tape that brokers hated to handle them. But Keith Funston, president of the New York Stock Exchange, says the process has been simplified by new laws in 33 states and the District of Columbia. Just this year, 20 such laws were passed; another 12 are in the works.

Higher prices for new homes are likely in the coming months, says the National Assn. of Real Estate Boards. NAREB says that 59% of all replies to a 227-city survey predicted larger price tags for the rest of the year.

Manhattan's big Bowery Savings Bank will hike savings account dividends to 3½% a year, following similar moves by several other New York savings banks (BW-Jun.15'57,p92).



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Aids Productive
Efficiency in
Famous Tool Plant

HOW Pittsburgh COLOR DYNAMICS benefits workers and management has been convincingly demonstrated for the past twelve years in the plant and offices of the Davis Tool & Engineering Company of Detroit.

- This system of painting has created cheerful work areas. Productive efficiency and morale have been improved. Danger of time-loss accidents has been reduced.

- The Davis Tool & Engineering Company is one of the pioneers in the automotive industry. It has a 36-year record of manufacturing tools, dies, fixtures and special machinery

How You Can Get a Free Color Plan of Your Plant

- We'll be glad to send you a free copy of our fully illustrated book on the use of COLOR DYNAMICS for industry. It explains what this painting system is and how to use it effectively. Better still, we'll be glad to prepare a com-

Modern painting system improves working conditions in Davis Tool & Engineering Company, maker of high quality equipment for automotive, aircraft and appliance industries

for the automotive, aircraft and appliance industries.

- "Prior to 1946," says President Clarence Davis, "we painted plant and equipment periodically to protect them from wear and deterioration. Then we decided to paint the COLOR DYNAMICS way. We have included our offices in this system."

- "Since we began using focal and eye-rest colors on moving and stationary parts of machinery, we have found our workers see their jobs better.

- "Eye-rest colors on lower walls relieve eye-strain. Colors with high reflectance on upper walls and ceilings improve lighting. This contributes to better workmanship and higher productivity. Safety colors to

mark hazard areas reduce danger of time-loss accidents.

- "At the same time, the pleasing environment has improved the morale of our work force. It has also enhanced our customer as well as employee relations.

- "Buildings and machinery require periodic painting. To paint the COLOR DYNAMICS way costs no more than conventional maintenance painting. The benefits we have enjoyed from this system have proved to be a desirable bonus."

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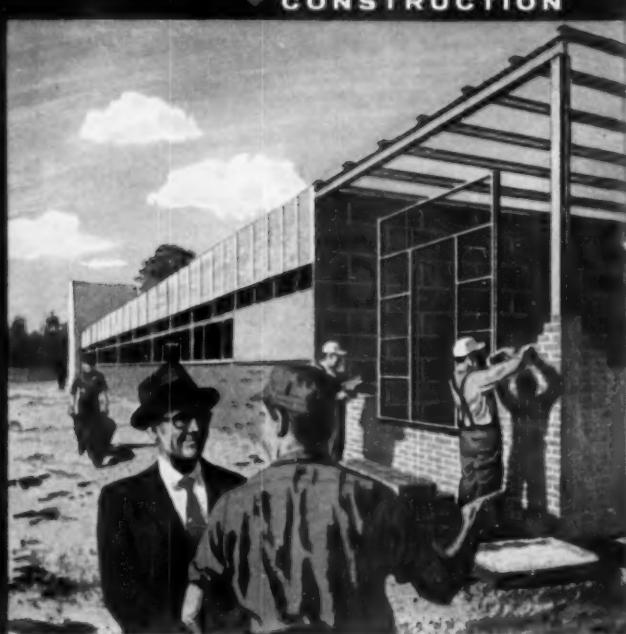
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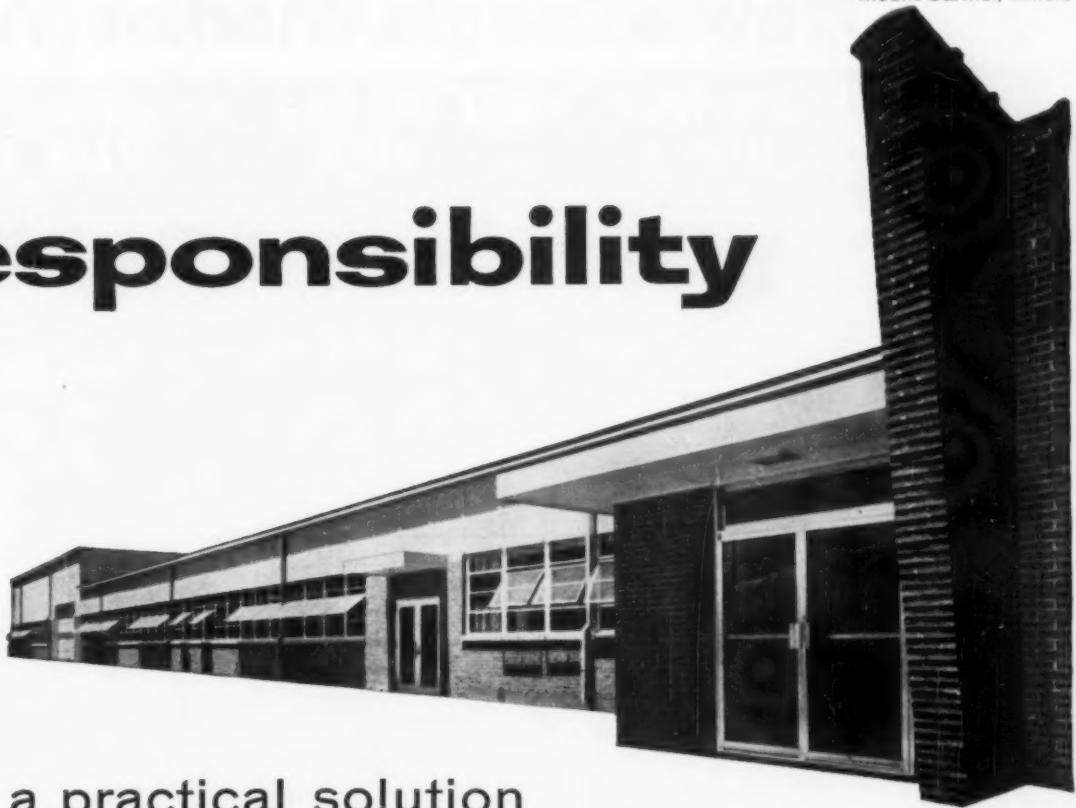
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SPECIAL REPORT

How a Single Market Will

ECONOMIC COMMUNITY

Population (millions) 161
Consumption (per capita) \$495• •

G. N. P. \$125-billion

Gross National Product

FRANCE

W.GERMANY

ITALY

BENELUX

FREE TRADE AREA

78
\$669• •

\$80-billion

BRITAIN

DENMARK

NORWAY

SWEDEN

SWITZERLAND

AUSTRIA

POTENTIAL FREE TRADE AREA

77
\$230• •

\$23-billion

ICELAND

IRELAND

PORTUGAL

GREECE

TURKEY

SPAIN

FINLAND



Change the Map of Europe

**TOTAL FREE
EUROPE TODAY**

316
\$502 • •

\$230-billion

**FREE EUROPE TOMORROW (EST.)
YEAR 1960**

328
\$571 •

YEAR 1970

\$270-billion

\$400-billion

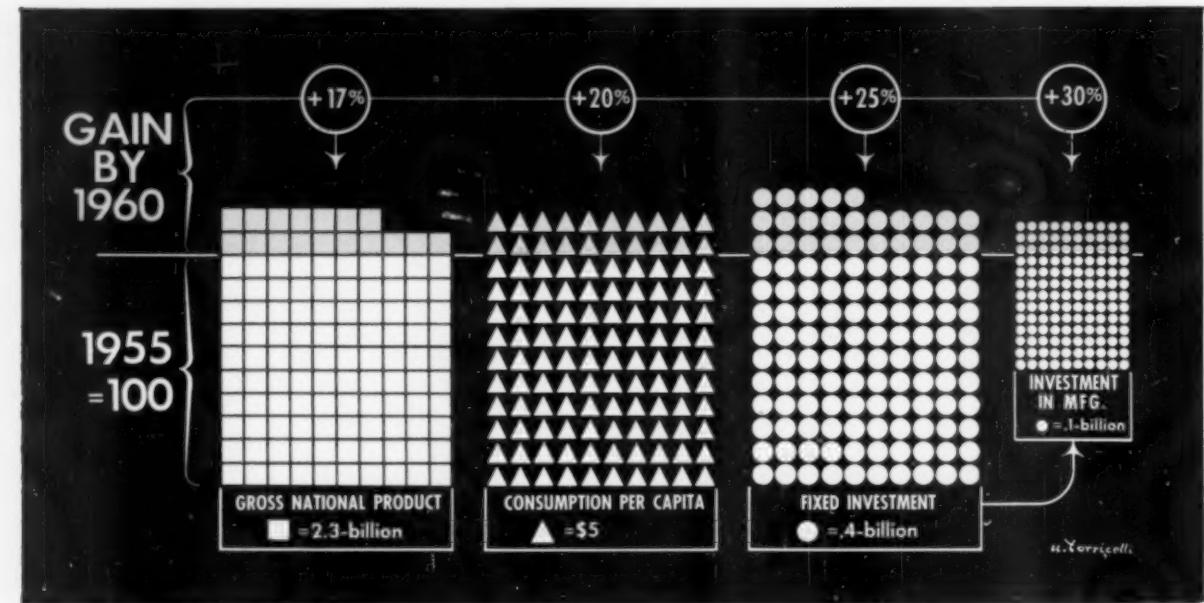
FREE EUROPE TODAY



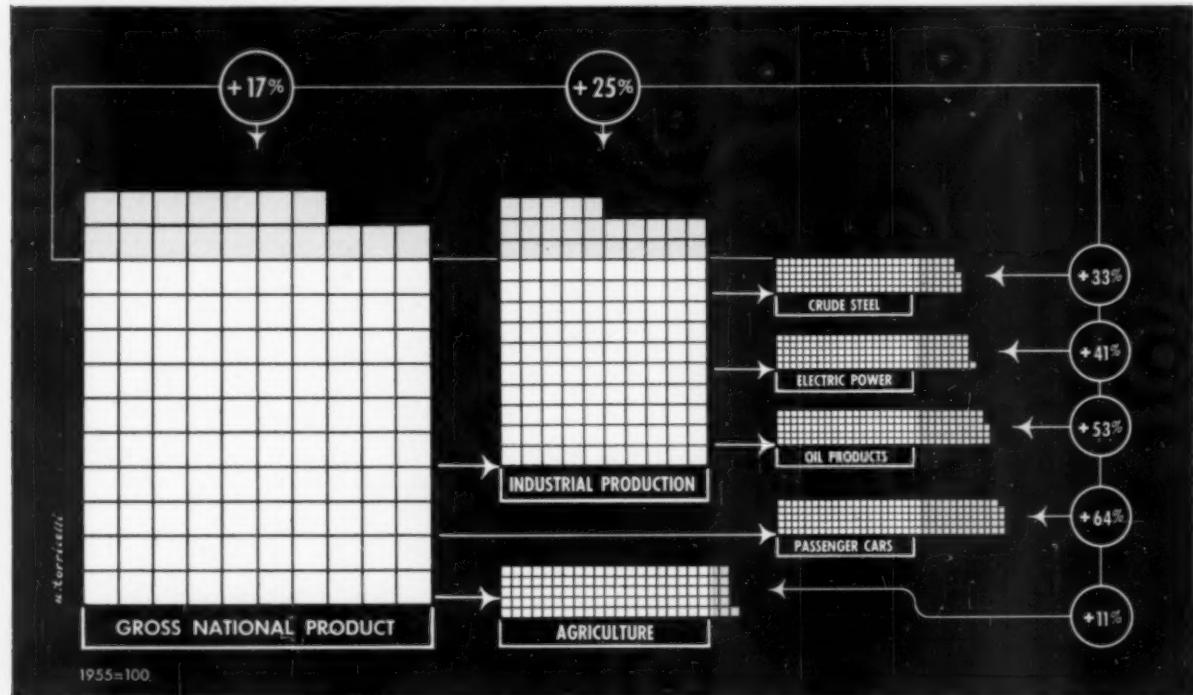
ACROSS THE ATLANTIC today, a new Europe is being born. If the birth is successful, this Europe, within 12 to 15 years, will be a single mass market with common political institutions. In

20 years, the world map may even show a "United States of Europe."

The process of unifying Europe won't be easy. (The illustration suggests how it may be done.) It may move in



As GNP rises, Europeans will consume and invest more



While production will make gains like these by 1960

fits and starts. It will bring both problems and opportunities for U.S. businessmen and diplomats. But the stakes are clear:

- If Europe achieves its goal, it will remain a dynamic economic force in the free world and a firm bulwark against Communism.
- If it doesn't, chances are the area will be something of a backwater be-

fore the 20th Century is out, parts of it being under Soviet influence.

I. Reasons for Unity

There are four compelling forces pushing free Europe toward economic and political unity:

- The new industrial revolution. Pioneered largely by the U.S., this is

now transforming the economic life of both Western Europe and the Soviet Union.

- The shift in world power relations. This has left even the larger European nations standing resentfully weak—as at Suez—between two world superpowers, the U.S. and the U.S.S.R.

- The postwar political revolution in the one-time colonies of Asia, Africa,

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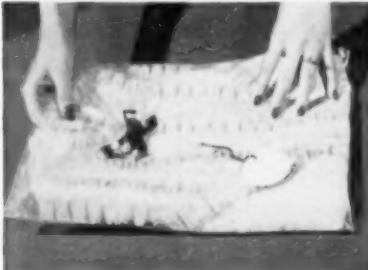


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OK, IT'S A "GAG" PHOTO . . . but it points up that sometimes you want to keep soil in. For powdered pigments, for example, the efficient, economical container is a Bemis Multiwall Paper Bag (special plies or liners if needed) with tape-over-seam closure. **BEMISTAPE**, a Bemis research development, does the trick.



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The New Europe

Special Report

Story starts on page 70

and the Middle East. As a result of this, Western Europe must now learn to compete for the markets and raw material supplies of these areas without the favored position it once enjoyed.

• U.S. economic and military support. The Marshall Plan gave Western Europe a chance to get on its feet economically after the war—and compelled it to set up joint economic institutions, such as the Organization for European Economic Cooperation (OEEC) and the European Payments Union (EPU). The European Coal & Steel Community followed later, at the time that NATO was giving Europe a joint defense system and a sense of security.

• **Aping America**—There's no doubt that an industrial renaissance is occurring in Western Europe. As part of it, many production and marketing methods have been Americanized. Recently, the area has begun to recoup losses suffered during the years 1914 to 1946, a period of relative economic stagnation for Europe. From 1951 to 1955, Europe grew faster than the U.S. And Europe Today and in 1960, a study recently published by OEEC, suggests that it will continue to do so.

This very growth—much of it based on the spread of mass production and a new expansionist philosophy—has convinced business leaders and politicians alike of the advantages to be gained from a single market, comparable to the U.S. Just as growth has helped pave the way for unity, so unity is expected to insure rapid—perhaps even explosive—growth in the future.

• **Shadow of Giants**—The awakening to the advantages of unity has its political side, too. Western Europe is aware that even its larger nations, with populations of 50-million, cannot hold their own alone against the kind of industrial power already developed by the U.S. and U.S.S.R. and perhaps soon to be developed by China and India.

In fact, the driving force behind unity today is more political than economic. The leading "Europeans"—West Germany's Chancellor Konrad Adenauer, France's Guy Mollet, Belgium's Paul Henri Spaak, and Britain's Peter Thorneycroft—feel that the region must draw much closer together if it is not to disintegrate.

However, these men are not trying to build a military or political "third force" to stand between the U.S. and



U.S. OWNERSHIP of business in Europe is spreading with the new industrial revolution. At this Esso service station in France, attendant fills tires of a Renault.

the Soviet Union. They see Europe's destiny as tied to the U.S. They know, too, that Europe's defense, today and in the predictable future, rests primarily on the U.S. air-atomic umbrella. So does protection of the vital Middle East supply of oil. Indeed, its military dependence on the U.S. is the factor allowing Europe to devote more resources than it otherwise could to economic growth.

• **Bigger Bourgeoisie**—There are also subtle psychological and economic factors leading to greater unity.

In France, for example, nationalism may still burn deep in the older generation. But a French executive will admit that his sons' real interest lies in the future of Europe as a whole. And young people on both sides want to bury the hatchet in the century-old feud between France and Germany.

Besides, Europe is becoming more and more middle-class. More than in the past, votes go to politicians who stress ways to increase the ordinary comforts of life, rather than military or imperial glory. Some European businessmen say the only "successful defense against Eastern collectivism" will be a continually rising level of wealth and living standards, as compared with the Soviet bloc.

• **U.S. Attitude**—The U.S. has given official blessing to Europe's single market project—as it has to every move toward unity since Marshall Plan days.

Among most U.S. businessmen, the reaction to European unity varies from enthusiasm to benevolent indifference. But some with interests in Europe don't share Washington's pleasure—or at best keep their fingers crossed. Contemplated tariff changes will put some U.S. companies exporting to Europe at a disadvantage. The benefits will accrue to U.S. concerns producing on the

spot. But even for these, competition will be keener, and investment planning may have to be revised.

II. Impact of Unity

Much of the mechanics are still in doubt, but Europe will probably manage to put together some form of close-knit Economic Community and an associated larger Free Trade Area (cover). If it does, what will happen to European industry and markets—and to U.S. industry's role in Europe?

Some U.S. companies are bound to be squeezed, at least temporarily, by tariff changes accompanying European free trade. The Europeans won't be reducing tariffs to outsiders. And some members of the Economic Community who now have lower tariffs than the rest will actually be raising the charges on goods coming from the outside world. So a U.S. company exporting to, say, France or Italy will face a new handicap in competition with a German or British rival. The handicap may become worse as European free trade stimulates mass production and mass marketing among the members.

As this occurs, U.S. companies will lose some of their key advantages over European competitors. They will have to lean on the theory behind the whole project: that regional free trade will speed up economic growth, increase prosperity, and expand total demand.

• **Changes Made**—In any case, it will be necessary for U.S. companies to adjust their plans for doing business in Europe.

• Some, with only an export business, may be forced to establish manufacturing operations in Europe—or else rely less on the European market.

• Some, with production facilities in Europe already, supplemented by

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The New Europe

Special Report

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exports, may decide to produce everything on the spot.

• Others, such as companies even now exporting back to the U.S. from a European plant, may expand their investment there to take full advantage of the growing market.

Adding it up, the prospects for the U.S. in Europe are a relatively smaller export market (except for agricultural products and specialized industrial equipment) and bigger opportunities for profitable direct investment.

By 1980, total U.S. direct investments in Europe might reach \$9-billion—three times the 1955 figure—according to an estimate by J. Walter Thompson Co. for a new publication, The Western European Markets (McGraw-Hill Book Co.). And that estimate doesn't allow for the effects of free trade.

These broad calculations may or not mean much today. But it's plain that among European businessmen—and their U.S. counterparts with interests in Europe—a new brand of business decision is in the making.

Mergers in Britain and France have been concluded in industrial machinery, electrical appliances, and synthetic textiles—all with an eye to a single market in Europe.

Britain's chemical industry is anticipating an edge on the Continent, especially for some of its newest products, over German and American competitors—over the first because of its more advanced technology in rival products, over the second because of the expected common tariff against U.S. but not British goods.

The French auto industry is beginning to brace for real competition in the home market—and even for arrival of a German auto plant on French soil.

Food merchants in France and Italy are talking of a joint-venture supermarket chain to operate in both nations and buy supplies wherever cheapest.

The U.S. auto industry is a little worried that assembly plants in low-tariff Benelux will no longer be so profitable when the Economic Community tariff goes into effect. The single market is bound to mean some reallocation of present manufacturing facilities across the Atlantic—plus, probably, a continued rise in direct investment there.

Hollywood film producers with a big European business today, are worried about signs that German, French, and Italian competitors will set up a film

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*
Unretouched photograph of 5-gal. pail of heavy, nearly solid sealing material. Side of pail has been cut away to show how material stands by itself, supports screwdriver. During 90 minutes between cutting and photography, material "slumped" slightly, but obviously not enough to pour. A Graco Powerflo Pump successfully pumped it right out of the original pail.



Here is a typical 5-gallon Graco Powerflo unit used by boat manufacturers for applying caulking material on hulls. Take advantage of a Graco lab test to determine pumpability of materials you are using. You will receive a factual Graco Laboratory Report, without obligation.



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The New Europe

Special Report

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pool that discriminates against U.S. movies.

U.S. airlines, which handle much traffic within Europe, fear that the common transport policy to be established by the Economic Community will be extended to air traffic, cutting off their intra-European business.

Big U.S. oil companies, with large investments in European refineries and distribution networks, are watching with an eagle eye. If national economic boundaries are erased, for one thing, the pattern of supply from their refineries—now set up on a national basis—might change.

III. Prospects for Unity

Today, Western Europe is closer to economic unity than ever before. The leadership is coming from the six nations that form the European Coal & Steel Community, already highly successful: France, West Germany, Italy, and the Benelux countries—Belgium, Luxembourg, and the Netherlands.

In Rome this spring, the Six signed two significant treaties, establishing:

- The European Economic Community, or Common Market. In 12 to 15 years, this is intended to allow the free flow of trade, capital, and labor among the members. To carry it through, it was agreed to set up certain political institutions in common.

- Euratom, a pool of nuclear energy, designed to give the Economic Community one of the world's great atomic complexes—and reduce its dependence on imported oil.

Once France has ratified these treaties (it now has a government pledged to do so), the other signatories will follow fast. Thus would be set in motion a process bound to be tremendously important in its impact—as important, some enthusiasts say, as the combined impact of the French and Industrial Revolutions on 19th-Century Europe.

- Just the Beginning—These enthusiastic "Europeans" view the six-nation Economic Community as only the nucleus of a larger union. Some day this might even include all or part of Soviet-controlled Eastern Europe.

At OEEC headquarters in Paris and in London, plans already have been drawn to surround the Economic Community with a Free Trade Area for industrial goods (but not agricultural

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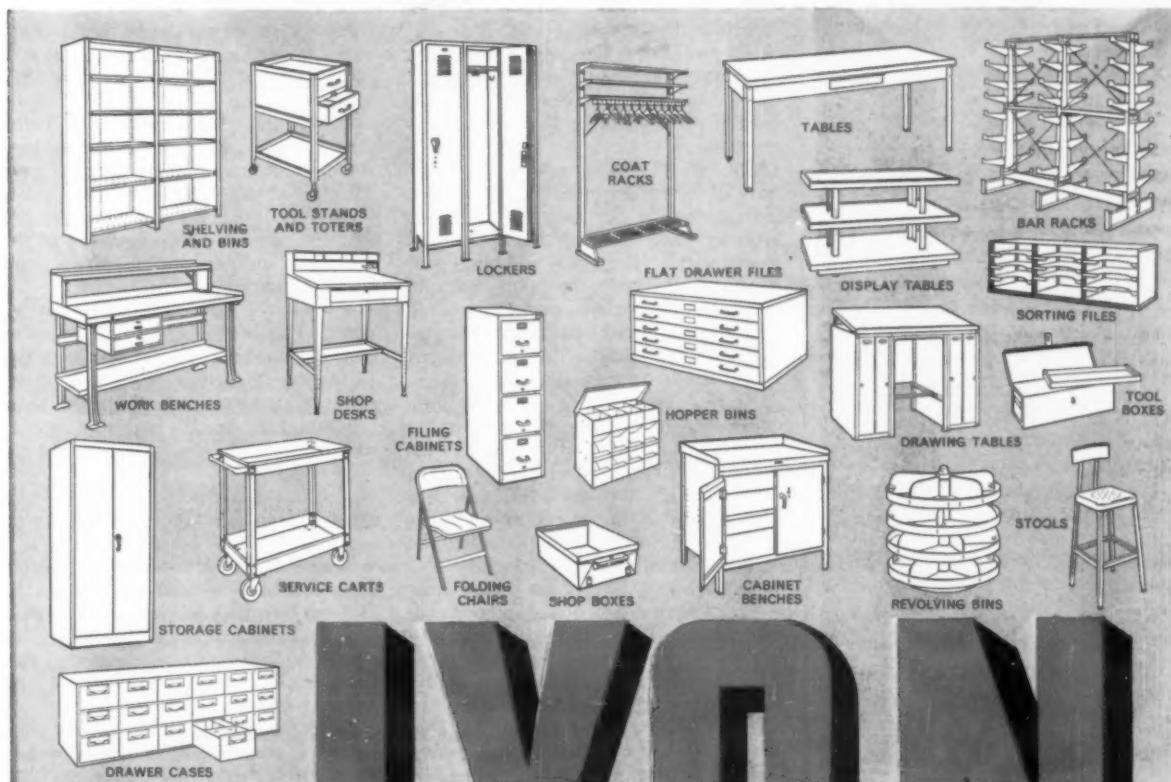
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The New Europe

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products). At the start, the Free Trade Area probably would consist of Britain, Sweden, Norway, Denmark, Switzerland, and Austria. These nations would agree with the Economic Community to lower trade barriers among one another and with the Six, on a schedule paralleling the Economic Community's.

Eventually, the Free Trade Area might be joined by the other non-Communist countries of Europe—Turkey, Greece, Spain, Portugal, Ireland, Iceland, and Finland.

If these three layers (illustration, page 70) become one free trade area by 1970, say, the market for European industry would total more than 300-million people, with total purchasing power equivalent to that of 165-million Americans in 1955. A market that big would be something entirely new for European businessmen.

• **Pros and Cons**—This vision won't become reality without a struggle, though. To begin with, if France's political crisis is prolonged, the Economic Community might never get under way. It might fall by the wayside as the European Defense Community died in 1954. To be sure, in the long run the basic economic and political forces at work would still be the same, and the result would undoubtedly be some form of economic integration—probably via an all-European free trade area, put together entirely under OEEC auspices. But it would take longer.

At best, there are bound to be difficulties and disappointments in carrying out any such ambitious project. It cuts across many centuries of European history, offends many national traditions, and upsets many vested economic interests. Technical complications will be plentiful, and bargaining tough.

But Western Europe has already had several years of experience in give-and-take within OEEC and EPU, and unification may not prove so much more difficult. Moreover, all members of the Six have been seasoned by the establishment of the common market for coal and steel. And the Benelux group has managed to build a fairly complete—if small—economic union of its own.

• **Plus and Minus**—Some U.S. economists and government officials are skeptical of the plans, anyway. There's a feeling that the Economic Community is mainly a political facade. Because of economic and political weakness in France—and perhaps in Italy as well—

the Community will be a farce whether it's ratified or not, this argument goes.

Others think U.S. support for European free trade will turn out to be a bad mistake. The U.S. is breaking sharply from its traditional encouragement of free multilateral trade, they contend, and it is feared that this move will boomerang in the blossoming of regional trade blocs elsewhere—notably in Latin America. The Economic Community and Free Trade Area will breach the existing international rules on regional trade relations, set up through the General Agreement on Tariffs and Trade (GATT), these skeptics predict, and they don't see what GATT can do about it.

But negative arguments such as this aren't likely to cut much ice. GATT, for instance, has little choice but to bend its rules to the new developments. In the past, trade principles—whether enunciated by Adam Smith or Cordell Hull—have been the product of deep-seated changes in the economic facts of life, not the reverse. That's still true today.

IV. Europe in Ferment

There can be no doubt that a deep-seated change is taking place in the economic life of Western Europe. It's visible all over:

- In the self-service stores of Switzerland or Sweden, the traffic-jammed streets of Rome or Paris, (picture, page 84), the modern filling stations (many U.S.-owned) of Britain, and the Six (picture, page 75), the expansion of the chemical industry in Germany and Britain (picture, page 93).

- In the new distribution of income. This is moving a sizable share of Europe's workers into the middle class. In the case of Britain and several other countries, almost 90% of the purchasing power is in the hands of people earning, in U.S. terms, \$2,750 to \$6,500 a year.

- In the statistics just produced by OEEC for its new study, Europe Today and in 1960. (BW—Apr. 27 '57, p132).

- **Ahead of Schedule**—OEEC compares the combined economic growth of member countries in 1951-55 with what can be expected in 1956-60—without allowing for benefits anticipated if the Economic Community and Free Trade Area get under way.

In the five years 1951-55, Western Europe's growth was unusually quick. Total industrial production swelled 38% above 1950, instead of the 32% set by OEEC as a goal in 1951. And gross national product rose 27%, instead of the target 25%.

The annual compound growth in GNP was 4.5%, against 3.8% in the U.S. during the same period—and an estimated 7% in the U.S.S.R. Gross

Unretouched photo showing typical return line corrosive action resulting from carbonic acid and dissolved oxygen in condensate.



BREAKING DOWN WITHIN

This section of pipe looks like new—on the outside. But take a look inside. Grooving action caused by carbonic acid and deep pitting, the result of dissolved oxygen attack, have almost completely penetrated the pipe wall.

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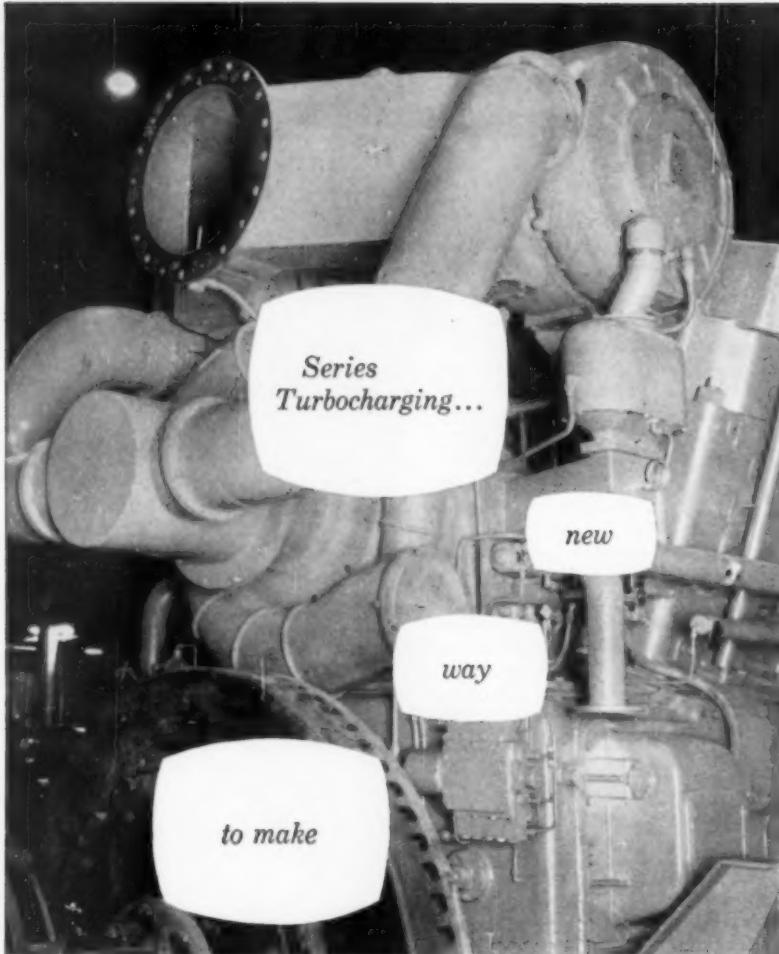
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The New Europe

Special Report

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fixed investment rose considerably faster than in the U.S., with the Economic Community group leading the flock.

- **Onward and Upward**—For 1956-60, OEEC estimates an increase of 25% in industrial production and 17% in GNP. That would give the OEEC countries, by 1960, a combined GNP of \$257-billion and free Europe, including Spain and Finland, a GNP of \$270-billion. The slowdown in growth compared with the preceding five years will come from smaller increases in the work force, shorter working hours, and a somewhat lower rate of improvement in productivity. Even so, by the standards of history, that would be rapid progress.

OEEC foresees these percentage increases over 1951-55 in the major components of Europe's 17% higher 1956-60 GNP:

Private consumption	18%
Government current civil expenditure	14%
Defense expenditure	10%
Fixed investment	24%
Housing investment	17%
Non-residential investment	26%

Some European economists expect defense spending to climb less than OEEC estimates, if at all; some even anticipate a drop. The same economists think OEEC estimates of non-military government expenditures and of housing may be high. If their forecasts are valid, private consumption may climb 20% or more instead of the 18% charted by OEEC. In that case, by far the biggest relative increase would be in durable goods. Fixed nonresidential investment, especially for manufacturing plant, might also exceed OEEC expectations (charts, page 72).

- **Money, Money, Money**—In any event, investment will rise faster than industrial production. More investment will be required to bring about a given increase in output because of:

- Smaller increases in the labor force.
- Growing importance of industries that need lots of capital—such as oil refining, nuclear energy, electronics, metals, engineering and chemicals.

Some economists wonder where Europe will find the capital—especially the private capital—to match even OEEC's estimates. Such a rate of growth will strain Europe's capital resources to the limit, say these experts, even with a sizable inflow of private money from the U.S. And if Europe does carry through its new industrial

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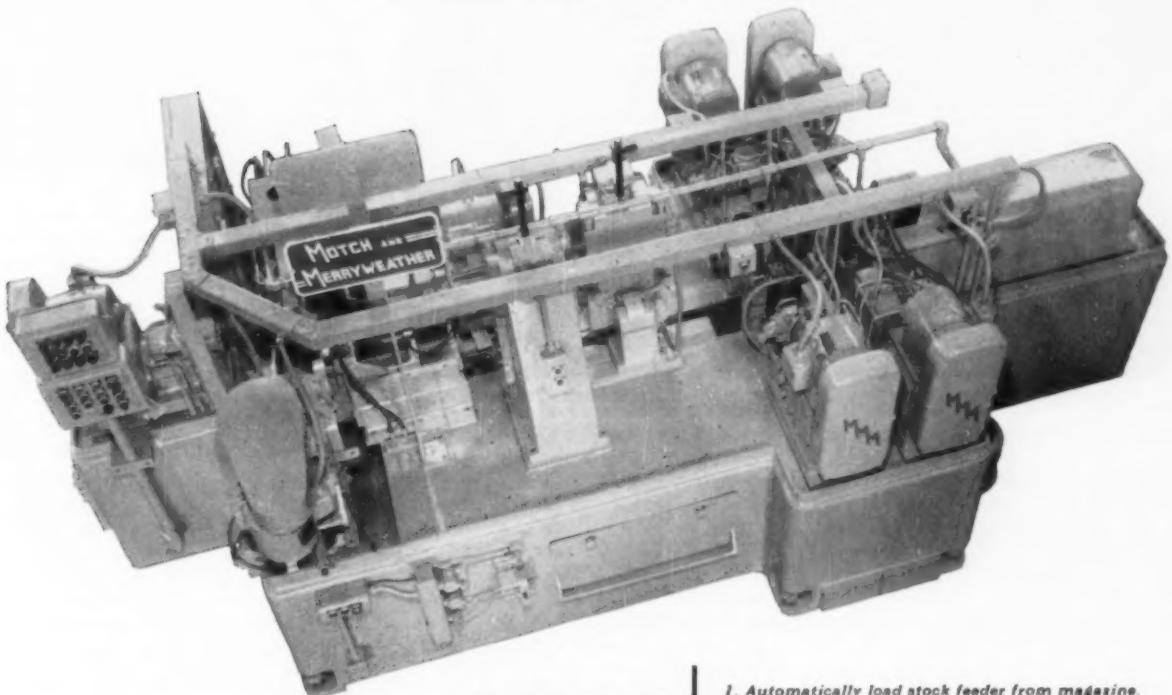
"Can you design a modern inline transfer machine for machining differential pinion shafts? It must increase productivity, reduce material-handling and improve both product quality and uniformity. It must also reduce machining time and man-hours."

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the following cycle
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1. Automatically load stock feeder from magazine.
2. Transfer to counter-sinking operation.
3. Transfer to drilling operation.
4. Transfer to broaching operation.
5. Slot end of piece.
6. Cut-off to length.
7. Chamfer both ends.
8. Automatically unload.



TRAFFIC JAM in Place de la Concorde, Paris, is indicator of Western Europe's prosperity. Thick auto traffic clogs the streets of all big cities in Europe today.

revolution, they doubt whether there will be any big chunks of cash left over to use in underdeveloped countries—either through a British Commonwealth program or the Eurafrica scheme (BW-Apr. 20 '57, p112). Under Eurafrica, the six Economic Community nations would pool resources to develop their African territories and to give them a preferential market within the Economic Community.

• **No Problem**—OEEC doesn't look for any special new problems in Europe's future balance of payments with the outside world. Total imports will increase slightly less than total industrial production during 1956-60, it estimates—although this doesn't take into account the effect of tariff changes on

imports. And exports would have to increase only 15% for Europe to break even in its 1960 balance of payments. (In 1955 the combined exports of OEEC members to the outside world totaled \$15.7-billion, and combined imports \$17.3-billion.)

If exports should increase 24%, Europe would earn as big a surplus in 1960 as it did in prosperous 1955. OEEC allows already for a \$3.1-billion surplus from "invisibles" (such as shipping, insurance, and tourism), and it says tourism could contribute more if Europe fully used its opportunities.

A number of Europe's leading economists are more bullish than OEEC about the growth rate to 1960. And in the 1960s, they feel, GNP will climb

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faster as the Common Market and Free Trade Area begin to take hold. If so, free Europe's GNP by 1970 might total about \$400-billion. That would give Europe—just at the time it's due to complete the single market—roughly the same economic weight as the U.S. recorded in 1955 (page 71).

V. Euratom's Role

Whether free Europe does, in fact, manage to build a single market in 15 years will depend primarily on the six nations' success in assembling the Economic Community. Partly, it will rest as well on the fate of Euratom.

Euratom is patterned largely after the Coal & Steel Community—with one big difference. Euratom's job is to pool resources to create a new industry, rather than to form a common market for the products of two old industries. The Continental countries now are so far behind Britain, let alone the U.S., in nuclear energy that some cooperation is essential if they are to catch up.

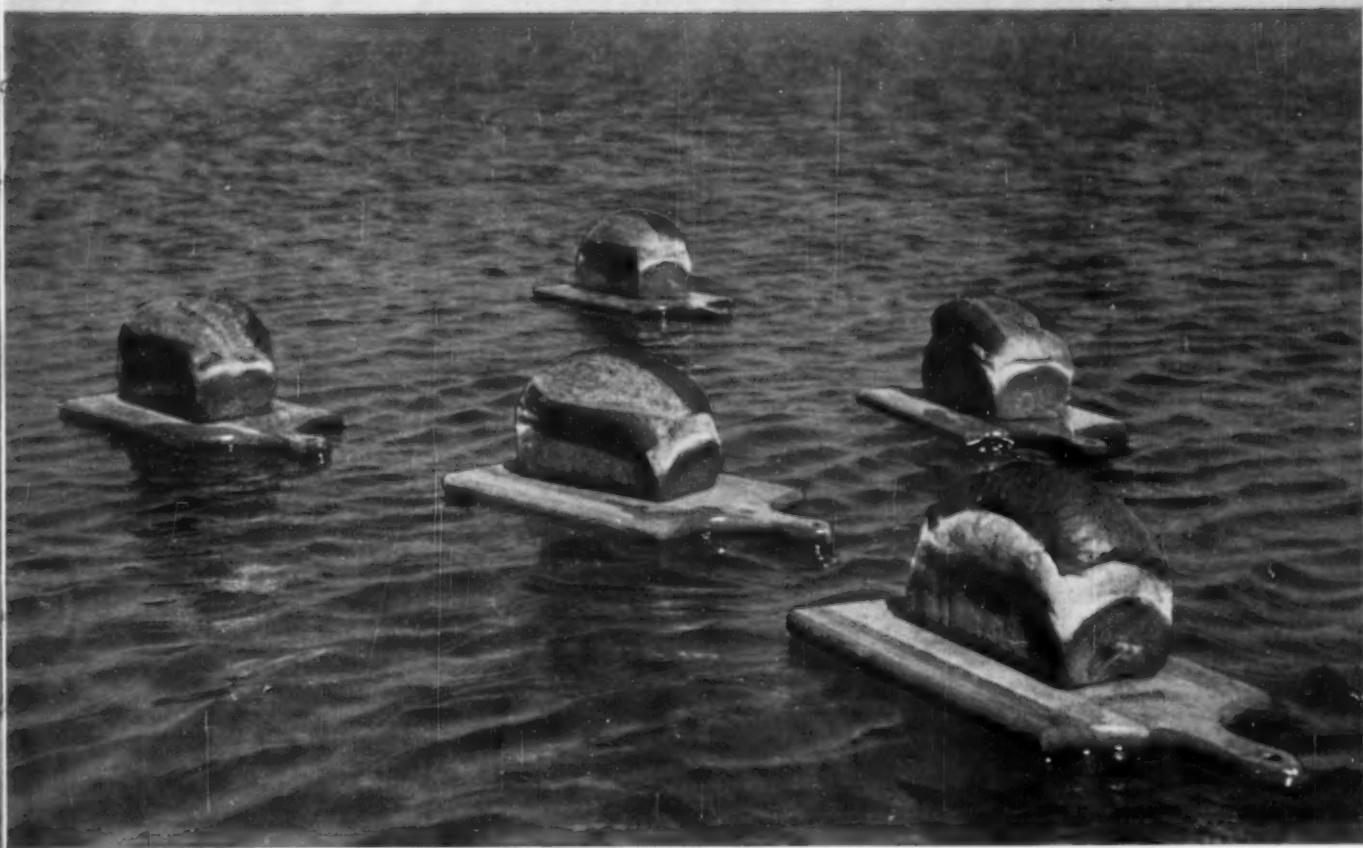
Euratom's goal is 15-million kw. of nuclear power capacity by 1967. The estimated cost is around \$5.2-billion. If Euratom can reach its target, the six nations would become far less dependent on imported oil, might even be able to hold oil imports at the 1967 level.

To run Euratom, the Rome treaty has provided it with its own council of ministers and commission. But, like the Coal & Steel Community, Euratom is to share some political institutions with the Economic Community.

VI. How Community Will Work

If Euratom's goals are ambitious, the Economic Community's are very nearly Utopian. They amount to nothing less than an attempt to create a European version of the United States—from six ancient and proud peoples who have feuded, one with another, over many centuries. In the Rome treaty establishing the Community, the Six agreed to work for "an ever closer union among the European peoples," with the object of raising "living and working conditions."

• **Complex Agreement**—To accomplish these high-flown aims, the treaty offers a detailed prescription. Although it's one of the most complex treaties ever written, it can be broken down into six broad areas, providing:



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When you take your international trade problems to the people at The Chase Manhattan Bank, the services of a world-wide network of 51,000 correspondent banks and branches are immediately at your disposal.

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Manhattan and its stateside correspondents handle the U. S. problems of the Bank's overseas correspondents. They, in turn, get things done for Chase Manhattan in their own countries. Such reciprocity enables you to get more efficient banking service in the markets of the world.

Here at home, experienced men in the International Department sit down and talk things out with you personally. They work with you on a basis of individual analysis and imaginative planning. And knowing the right men in the right places, they can quickly con-

tact the banker-at-the-spot who can best help you.

If you have import or export problems, phone HAnover 2-6000 or write to International Department, The Chase Manhattan Bank, 18 Pine Street, New York 15.

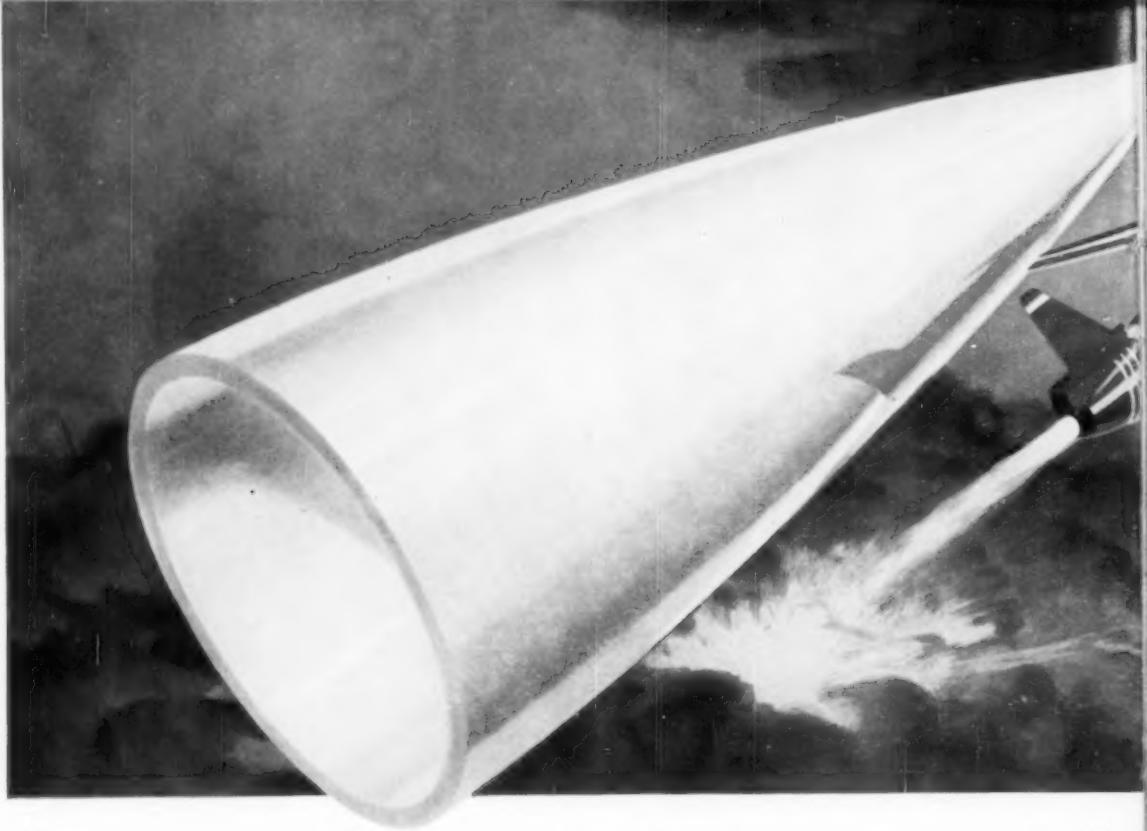
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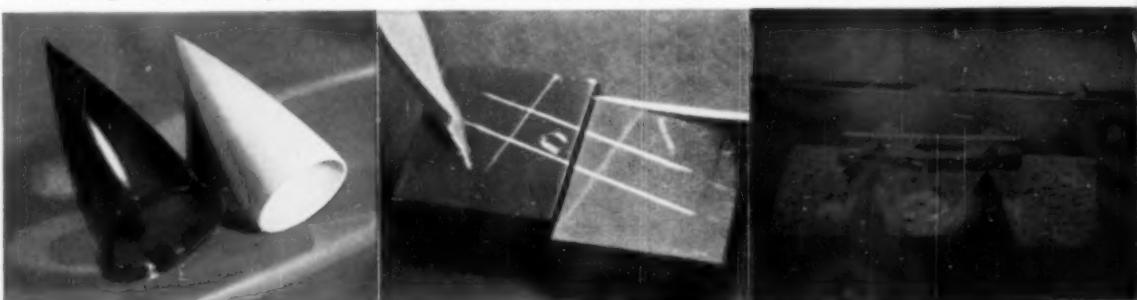
PYROCERAM is an entirely new basic material made from glass. We think it is the most important technological break-through ever made in glass research.

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The sky's not the limit! Heat-treating changes this PYROCERAM from a glass into a new basic material of unlimited usefulness (below, nose of a guided missile). PYROCERAM can be mass-produced to close tolerances. It can be drawn into sheets, rods or tubing; even blown, cast or pressed.

Harder than steel. Tests show some kinds of PYROCERAM are 27 times more resistant to sandblasting than glass, and are harder than hardened steel (below, PYROCERAM scratches steel and brass). This hardness suggests such uses as special cutting tools, bearings and brake linings.

Still rigid at 2,200° F. This PYROCERAM isn't deformed by heat that warps steel and melts copper. And we can tailor the coefficient of expansion of this material...make kinds that expand, shrink or remain the same size when heated. Indicated uses: cooking pans to blades for turbine engines.



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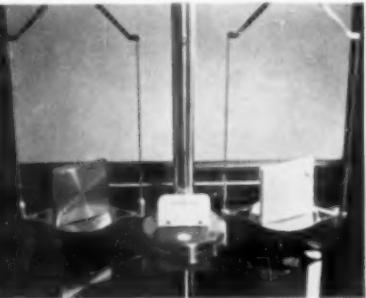
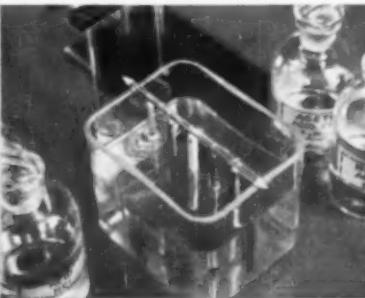
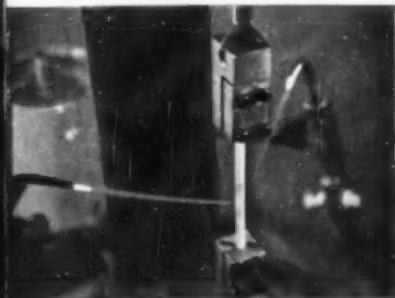
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BEHIND-THE-SCENES leaders of European unity are France's Jean Monnet (left), father of Coal & Steel Community and Robert Marjolin, head of OEEC in Marshall Plan days.

A customs union for industrial goods. The rules call for a three-stage transitional period of 12 to 15 years, after which there would be (1) free movement of trade, without tariffs or quotas, and (2) a common tariff and commercial policy toward outside states.

A common policy in agriculture, including a common managed market for agricultural products.

Free movement of persons, services, and capital. At the latest, workers could move freely by the end of the transitional period; restrictions on movement of services and capital (including those applying to establishment of branch plants) would be abolished progressively.

A common transport policy (by rail, road, and inland waterway). Under this, (1) differential rates based on country of origin or destination will be removed after 10 years, (2) carriers will be allowed to interchange facilities, and (3) frontier-crossing fees will be progressively reduced.

A catch-all group of principles. One is designed to insure fair business competition within the Community. Another calls for gradually bringing legislation—including social and labor laws—of all members into accord. A third deals with harmonizing national economic policies and preventing balance of payments crises. Under this section fall agreements to establish a European Social Fund and European Investment Bank, the latter with initial capital of \$1-billion.

The Eurafica scheme, an agreement to associate the Community with overseas territories of member states—to increase trade and investment, mostly in Africa. It includes a five-year \$580-million development fund to come from members' contributions.

- **Political Framework**—The responsibility for carrying out these provisions—and many more—will lie with a whole new set of European political institutions, to be located in Luxembourg:

- An assembly of 142 delegates from the six parliaments, with a weighted allocation of seats. The idea is that these delegates ultimately will be elected by universal suffrage. The assembly will also serve Euratom and the Coal & Steel Community.

- A council of ministers, one from each government. In the early years, decisions will be by unanimous vote; later by a weighted majority.

- An independent commission of nine members nominated by common agreement and acting by majority vote. This is to be the Community's general staff. It will hold considerable power to initiate and decide vital questions.

- Several consultative committees. The most important will be the Economic & Social Committee and the Monetary Committee.

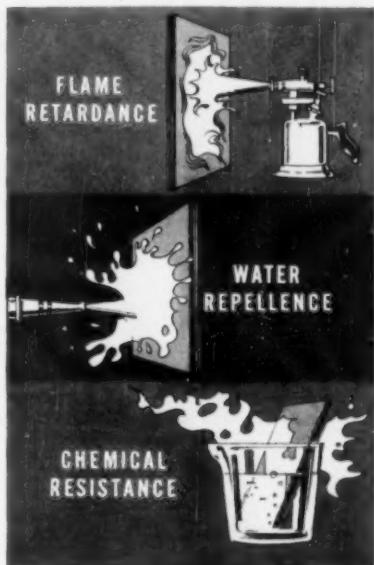
- A court of justice to rule on interpretations and applications of the Rome treaty—and to perform similar functions for Euratom and the Coal & Steel Community.

- **Heart of the Matter**—The center of this ambitious and complicated scheme undoubtedly is the customs union for industrial goods. Everything else is likely to hang on its success.

In the customs union, tariff reduction and quota removal are to be accomplished in three stages of four years each. Between the first two stages, a stalling period of two to three years will be allowed if any of the members finds the going too rough.

During the first stage, which is to start within a year after ratification, tariffs are to come down under a com-

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plicated formula. This provides for an average over-all reduction of 30% in each member's duties and a cut of at least 25% in the basic duty for each product. (The basic duty is to be defined as that which was applicable Jan. 1 this year.) By the end of the second stage, average duties are to be down by 60%, duties on each product by 50%. All duties are to be removed by the end of the third stage. Under a different formula, quotas are to be progressively liberalized, then finally eliminated.

• **Formulating Tariffs**—The Community's common tariff to outsiders, as an over-all rule, is to be fixed at "the arithmetical average of the duties levied in the four customs areas covered" (Benelux is already a single customs area). But ceilings varying from 3% to 25% have been placed on several groups of products. And a wide range of goods has been assigned a fixed tariff for part of the transitional period—or put on a duty-free list.

Currently, some members of the Community are high-tariff nations; others have low tariffs. As the common tariff takes effect, the high-tariff members will have to reduce their duties charged the outside world; the low-tariff countries will have to increase theirs. For instance, duties will rise on many outside goods entering Benelux, which is a low-tariff area, while duties will decline gradually in high-tariff states such as France and Italy.

One of the common tariff's most important results will be this: Industries in Belgium, Holland, and West Germany will have to pay duties on many of their raw and semi-manufactured materials now arriving duty-free. This will put them at something of a competitive disadvantage, since rivals abroad—in Britain, say—will continue to import the same materials without a duty.

• **Favors to France**—Belgium, Holland, and West Germany will also be at a disadvantage in relation to other member countries—notably France, to whom very real concessions have been made. For one thing, the French are to be allowed to maintain their system of export subsidies and import taxes, designed to offset the overvaluation of the franc, during the plan's first stage. France also was favored in deciding the length of the stalling period in tariff adjustment, the Eurafrika plan, and one or two other scores.

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France would sign and later ratify the Rome treaty. But the concessions do highlight serious problems that are sure to arise in making the Economic Community work.

VII. Community Problems

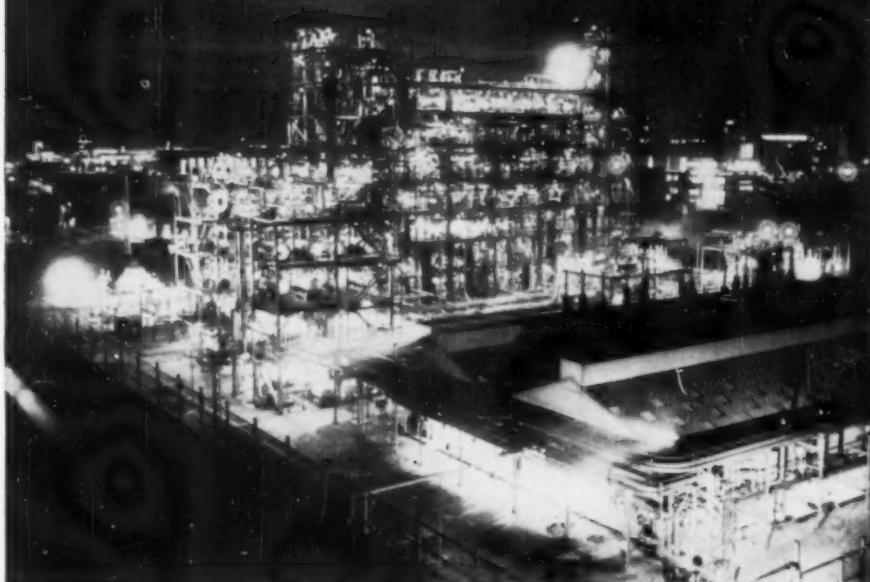
In plain fact, the Community is an economic marriage of strong countries with weak. Basically, it's a wedding of West Germany with France—West Germany with its highly competitive export industries, hard currency, and strong exchange reserve position; France with its highly protected industries, weak currency, and dangerously weak reserve position.

Almost the same picture emerges from a look at the over-all economic positions of the four northern nations on the one hand and the two Latin countries on the other. France and Italy have a smaller trade stake in the Economic Community than any of the others. Only about 25% of French and Italian exports go to other Community members; the proportion for West Germany is 30%, for Holland 40%, and for Belgium 45%.

• **Public Enemy**—In France and Italy at the moment—and perhaps elsewhere in the future—there's also the problem of political and social stability. Lack of national cohesion largely accounts for the way France has once more drifted into inflation and the 1957 financial crisis. And inflation—which can be controlled in democratic countries only if there's reasonable national cohesion—may well be the Economic Community's chief bugaboo.

For example, in dealing with inflation, there may be times when what's good for the Community is bad for a particular government—conscious of its parliamentary majority on the next election. Under such conditions, the result might well be delays, and even backsliding, in steps toward economic integration. Similar problems might arise from serious unemployment.

At the industrial level, too, there may be some backsliding. As competition gets tougher, there are sure to be efforts to form cartels across national boundaries—probably as much among the Germans, Belgians, and Dutch as among their French and Italian counterparts. Cartel agreements—to share markets and fix prices—violate the Community's principles. But these



INDUSTRY is gearing expansion plans to a single market. This is two-year-old cracking plant of Britain's Imperial Chemical Industries, which expects big benefit from free trade.

principles won't count for much unless the Community opposes any new cartel movements with some stiff regulations.

• **Veto Powers**—The way the Community's political institutions will be set up, this will be hard to do, at least in the beginning. For these institutions won't have supranational powers in any real sense of the word. Under the Rome treaty, the Community council must reach decisions unanimously during the first four years. This means it can exercise supranational powers only when all members agree. In later stages, decisions will be by a weighted majority, but even then, France, Italy, and West Germany must be in accord. And, as now constituted, the assembly can only debate and advise—not legislate. So separate and distinct national policies will have to be reconciled from day to day.

This situation could change as the Community develops. For instance, some enthusiastic backers of political unity think the assembly will be elected by universal suffrage within a very few years. When that happens, they expect Europe's most ambitious politicians—whether French, German, or Belgian—to make their careers in the six-nation assembly. From there, it would not be a long step for the assembly to gain legislative powers and for the council to be made responsible to it. This would give the council real executive powers.

VIII. Free Trade Area

The British-sponsored plan for a Free Trade Area is a direct outgrowth of the Economic Community scheme.

Last year, when it became apparent that its six Continental neighbors meant

business, Britain's Conservative government decided it couldn't afford to stand by while the Six—especially Germany—grew in competitive power and British exports suffered a tariff disadvantage. Of total British exports, 13.5% now go to the Six, about 27% to all non-Communist countries of the continent. And in the last few years, the six nations have been the free world's fastest growing major market.

Politically as well as economically, the British have been aware of the angles. They don't like to see a rival across the Channel move into position to dominate Europe. And most Britons suspect that if anyone will dominate the Economic Community, it will be the Germans.

• **Going It Alone**—At no point, though, has London seriously considered joining the Economic Community. That would mean giving up the imperial preference system—and loosening ties in the Commonwealth, where Britain still does more than 45% of its total trade. It would also mean commitment to political objectives for which few Britons are prepared.

Some of Britain's reluctance to join up undoubtedly stems from purely psychological factors, including the traditional British suspicion of "foreigners" (a category from which Americans are excluded). But there's also reluctance to abandon roles such as it plays in world banking. London holds the sterling area's gold reserves, and, whenever they are threatened, Britain is willing to adjust its domestic economic policies to protect them. British officials fear it wouldn't be so easy to do this if Britain made a binding commitment to align its economic policies with the Economic Community's. Without



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this ability to adjust, it would then be even harder than it is today for London to act as banker for the sterling trading bloc.

• **Middle Ground**—Not wanting out-or all the way in—the British government decided last year to explore a halfway house. The result was the idea for a free trade zone attached to the Economic Community and consisting of Britain, Sweden, Norway, Denmark, Switzerland, and Austria. In this Free Trade Area, members would dismantle barriers to trade in industrial goods among themselves and with the Community's six members. But they would maintain their own tariffs and quotas applying to the rest of the world.

Under the British plan, the Free Trade Area agreement would exclude agricultural products, except by special arrangements. Thus, in return for opening up its own industrial market, Britain would gain the advantages of a bigger industrial market on the Continent. At the same time, it would protect its agriculture on its own terms—and retain the imperial preference system, with its advantages, though dwindling ones, to Commonwealth agriculture and British industry.

Under pressure from Britain and several other nations, OEEC has taken this scheme under its wing. Since last fall, OEEC working parties have been examining the problems of linking the Economic Community with the Free Trade Area. This spring, the British tried, without any success, to push the Six into preliminary negotiations for a convention to fit the plans together.

• **Dour French**—France, in particular, refused to discuss the matter until the Community had been ratified. Actually, Paris is none too keen on the British proposal. Some officials figure it would be doing the British a favor to let them join on any terms. The French argue that, economically, the Community can do better on its own. The British, of course, feel the French would be lucky to have them aboard—if only as a counterbalance against the Germans.

The Germans, Dutch, and Italians on the other hand, seem quite willing to reach an accord with the British. The Germans don't fear British competition; the Dutch have close ties with London anyway.

All in all, there's little doubt that the Six will agree to negotiate a convention with the Free Trade Area once

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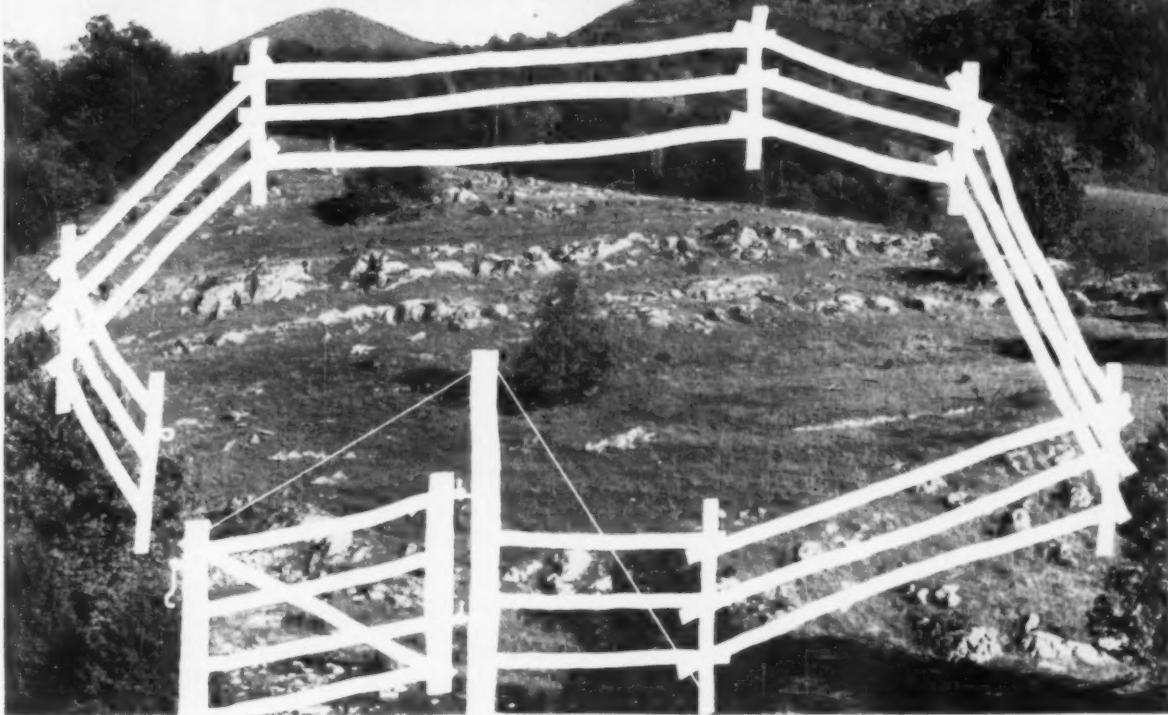


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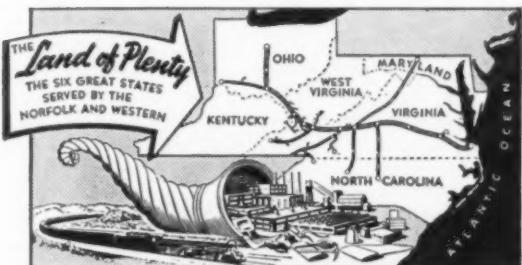
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The New Europe

Special Report

Story starts on page 70

the Economic Community is ratified for reasons of politics, if not economics. Otherwise, there would be a real danger of a divided Europe, with all that might mean to NATO defenses.

The convention for the Free Trade Area, however, may be as difficult to write—and get ratified—as the Rome treaty has been.

• **Definition Trouble**—One problem will be defining the "country of origin" of imported goods. For the Economic Community, this is easy: the Six adjoin each other by land. Goods entering any member from a partner will be duty-free; goods arriving from the outside world will pay the common tariff.

With the Free Trade Area, the situation is quite different. For example, goods entering Britain will be liable to different tariffs depending on origin—from elsewhere in the combined free trade zone, there would be no duty; from the Commonwealth, no duty or a preferential rate; and from the rest of the world, full duty.

What's more, all countries in the combined area would have to apply the same tests. Otherwise, goods would be likely to enter the area via the countries imposing the lowest duties on them. Then they might move within the area duty-free and ultimately reach a country with higher tariffs—without having paid them.

The six members of the Community fear also, for example, that Britain might import semi-finished textiles duty-free from Japan, Hong Kong, or India, put these materials through a finishing process, and then ship the product duty-free into the Economic Community market. Some system must be devised to control such things.

• **Farmers Out**—Another big problem is the British refusal to include agricultural products in the Free Trade Area plan. Britain is Europe's biggest import market for agricultural goods. If the Six agree to the exclusion, it would mean that South African wines and New Zealand dairy products would still benefit in the British market from preferential advantages in competition with French wines and Dutch dairy products. But British industry—in many cases competitively stronger than the French or Dutch counterparts—would enjoy the same free access to the industrial goods markets of France and Holland as French and Dutch manufacturers would to customers in Britain.

The Danes want to join the Free Trade Area, but they don't like the British stand on agriculture at all. Agricultural products form their major exports; Britain and West Germany are the best customers. If it could, Denmark would like to join the Economic Community's program for agriculture (without accepting the rest), arrange specially with Britain for agricultural exports, and then sign up with the Free Trade Area for industrial goods.

In the end, Britain will probably have to compromise and enter the Economic Community's managed market for agriculture at least part way. To do this, it may have to alter its own system of agricultural protection and Commonwealth preferences. In return, the Economic Community might extend the preferences provided for France's African territories under the Eurafrica scheme. Then, Commonwealth nations and territories in Africa could sell products such as cocoa and oil seeds to the Six without disadvantage.

• **Copycats**—If Europe is to have a single free market for industrial goods, many of the provisions of the Economic Community must be written into the convention for the Free Trade Area.

In the case of tariff reductions and quota changes, it will be necessary to follow basically the same schedule. Much the same will be true of rules governing free movement of capital and services—but not labor, to which neither Britain nor Scandinavia is likely to agree. At the same time, Britain and the Scandinavian countries will want the same rights as the Germans and Dutch to establish a branch plant or shipping office in, say, Italy. Without such rights, the British and Scandinavians wouldn't have an equal chance in the new mass market.

• **Candidates**—Some observers in Britain and on the Continent expect that the core countries of the Free Trade Area will be dragged gradually into conformity with almost the whole of the Economic Community scheme—assuming it develops according to plan.

That's less likely to be the case, however, among the "fringe" countries of the Free Trade Area. Greece, Turkey, Spain, Portugal, and Ireland are largely agricultural, at a different stage of economic development. To join, these nations may need Free Trade Area concessions comparable to what France won in the Economic Community.

Finland has a different problem—how to square membership in the Free Trade Area with the special kind of neutral position forced on it by Moscow (BW-Jun.15'57,p121). The Finns hope to manage this by first joining the Nordic Union, under which preliminary steps are being taken for a Scandinavian customs union. As for tiny Iceland,

hasn't enough interest in European economic ties to join at all, unless it can find an especially favorable market for its fish.

IX. More U. S. Investment

Regardless of the difficulties, business planning—on both sides of the Atlantic—is not waiting idly for the single market to arrive. Some companies will be set to move as soon as tariffs and quotas begin to drop. Others may wait until Europe is firmly set on its new course. In any case, the coming of European free trade is sure to affect investment plans from the start.

• **Predictions**—Some European economists predict over-investment in some industries—and, perhaps, declining profit margins in most. These economists expect the profit picture to restrain U.S. direct investment, since Europe's higher profit margins have been among Europe's main attractions recently.

Regardless of such calculations, though, almost all the European governments are banking on increased U.S. investment. The Belgian government is planning to recruit it. And the British are now reducing the red tape required of a U.S. company exploring investment opportunities in Britain.

• **U. S. Hand**—For any U.S. executive or politician with worries about the effects of a single market in Europe, there must be a certain irony in the big part the U.S. has played in promoting Europe's integration. This has not been just by demonstrating a mass market and the production economics it can bring.

Without the Marshall Plan, Europe would never have reached its present stage of economic growth—and readiness for economic unity. The financial editor of Britain's Manchester Guardian has put it this way: "The American decision to give Europe a large amount of money to get on its feet again, and the American insistence that the distribution of this aid should be decided by a joint European organization (OEEC), galvanized all the tentative European yearnings toward integration."

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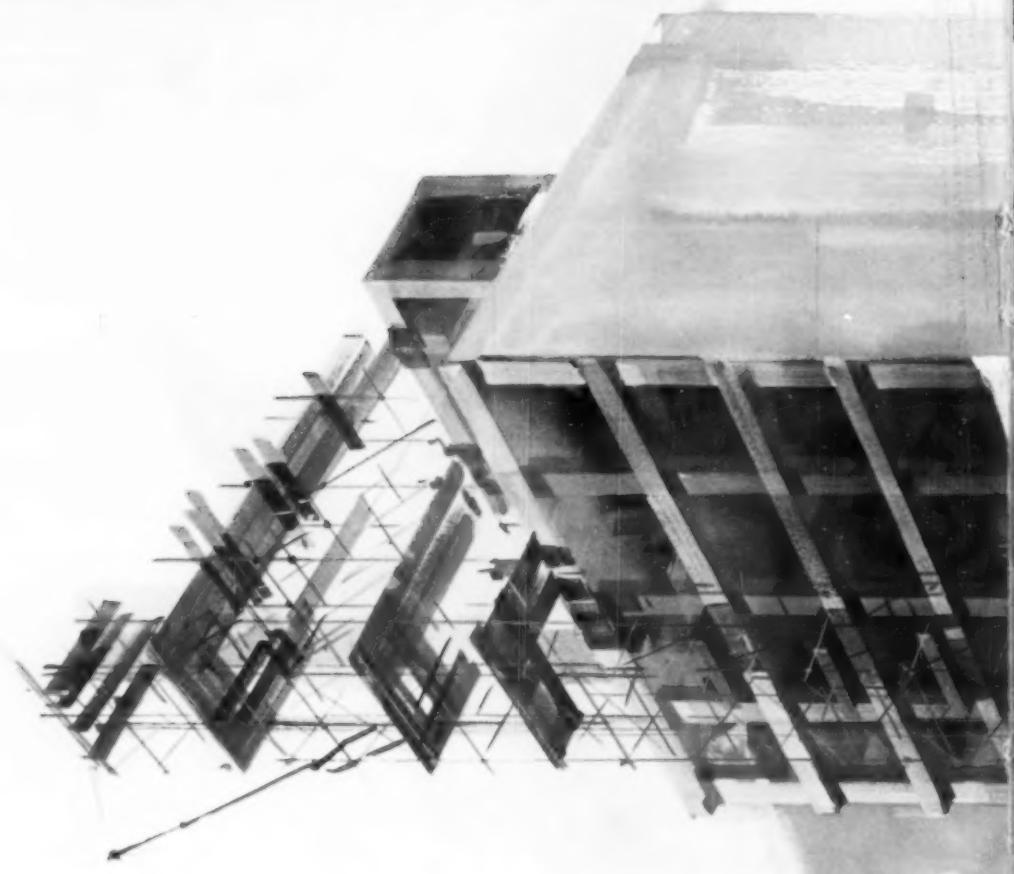
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Senate Blesses Niagara Power Project, Tries to Put Whammy on Hells Canyon

The Senate last week moved to rush one hydroelectric power project and to slow another with political embarrassment.

• The Senate Public Works Committee approved a bill authorizing the New York State Power Authority to build a \$600-million Niagara River project, with a compromise proviso that at least half of the new power go to public power users. The bill is likely to become a law, and thus quash the hassle over whether the Federal Power Commission had the authority to license the New York agency to build the plant.

• In a surprise show of strength, proponents of public power won a 45-38 Senate authorization for a government financed high dam at Hells Canyon on Idaho's Snake River. Such a dam would wash out three low dams—two already started—that Idaho Power has been licensed to build by the FPC.

The high dam bill was passed after a long wrangle over controversial fast tax write-offs granted to Idaho Power. But even if the House joins in passing the bill, Pres. Eisenhower will veto it.

AEC Power Reactor Projects

Will Now Clear Through Congress

The Atomic Energy Commission is going to clear with Congress its contracts with industry for nuclear power plant development, also its own plans for power reactors.

A new law, passed by Congress after consultation with AEC, amends the Atomic Energy Act to meet questions raised this spring by Rep. Clarence Cannon (D-Mo.), chairman of the House Appropriations Committee. Cannon questioned the legality of AEC financial aid to industrial power reactor projects over the past few years.

Now AEC will have to get approval for each project from the Joint Atomic Energy Committee, then go to the Appropriations Committee for funds for authorized projects.

Congress Resists Urge to Cut Funds for Slum Clearance

Urban renewal—the federal program that helps cities and private developers to rebuild blighted areas—is going through another budget tussle. Economizers would like to kill the program, to avert big spending. Some White House aides advocate turning the program over to the states; this week Eisenhower asked the governors to consider the problem.

If the program continues, Treasury Secy. Humphrey

MORE NEWS ABOUT GOVERNMENT ON:

| • P. 102. Annals of a Military Budget Item

and Budget Director Brundage foresee big federal expenditures. The government has paid out only \$90-million of \$900-million already committed to projects.

Pressure from the cities can be counted on to keep the program alive. Congress refused to cut the budget item this year; it is approving at least \$250-million for the 1957-58 fiscal year and possibly \$500-million for two years. Washington expects to receive more than \$600-million in new applications from cities in the next year or so.

High Court Postpones Ruling

To Hear States on Tidelands

The U.S. Supreme Court this week postponed decision in the tidelands oil dispute between Louisiana and the federal government until other Gulf states—Texas, Alabama, Florida, and Mississippi—have their say. This means no ruling until next fall or winter.

Louisiana claims jurisdiction 10½ mi. out in the Gulf; the U.S. argues that the state boundary is 3 mi. out. Despite legislation in 1953 that gave states priority as far as "their historic boundaries," sovereignty over the oil-rich offshore area is still bitterly disputed.

In other actions this week, the Supreme Court:

Declared unconstitutional an Illinois law to regulate companies that sell or issue money orders in the state. The law exempted the money order operations of American Express Co., and the court ruled, 6-3, that the regulation was discriminatory.

Upheaved federal and state (California and New York) laws against distribution of obscene materials.

Upset the contempt-of-Congress convictions of three witnesses who refused to give information on Communist membership and the list of members of the United Public Workers, expelled from the CIO in 1950 as Communist-dominated; upset the contempt convictions of three other witnesses who refused to answer questions before the Ohio State Un-American Activities Commission; upset the conspiracy convictions of six Detroit Communists under the Smith Act.

Commerce Agency Bars WOCs

From Posts as Division Chiefs

The Commerce Dept. is working out a new policy for "WOCs" (People who serve without compensation). Bowing to Congressional criticism over use of businessmen in high policy or operating places, the Business & Defense Services Administration will no longer appoint WOCs as heads of its industry divisions.

From now on, the agency, which processes priority allocations and reports industry's marketing trends, will install career civil servants as division chiefs, name WOCs only as deputy, assistant, or consulting directors.

The Ups and Downs of the Honest John Rocket in



The Honest John rocket (above) is a 27-ft.-long surface-to-surface missile with a range of about 15 miles. It can carry an atomic warhead, but is not guided electronically. Honest John has been in production for several years, and is gradually taking over functions of conventional long-range artillery. It is now deployed with Army missile battalions in Europe and Japan.

Douglas Aircraft Co. is the Army's prime contractor and airframe maker for the \$11,600 missile. Hercules Powder Co. produces the solid-propellant rocket engine.

Right now, the Army has an inventory of about 5,000 Honest John rockets on hand or on order. During fiscal year 1958, which begins on July 1 this year, the Army wants to buy another \$6.9-million worth of Honest Johns. Getting the funds to do that is a long and complex process that started a year and more ago, and wound its way through numerous Pentagon offices, the Budget Bureau, the White House, and Congress.

Here are the high spots in Honest John's fiscal 1958 journey from proposal to appropriation.

Early Summer, 1956. Honest John's first claim to a share in the fiscal 1958 budget is staked out—the Army's chief of ordnance requests \$25.2-million for production of Honest John missiles in fiscal year 1958. At a unit cost of about \$11,600 each, this would cover output of at least 2,170 missiles.

August, 1956. Honest John's \$25.2-million request goes into an over-all budget estimate of \$1.9-billion for "Army procurement and production." The deputy chief of staff for logistics sends this to the Army comptroller. This "P&P" estimate represents the amount of

weapons and major equipment the Army wants to contract for in fiscal 1958—that is, "planned obligations."

September. The \$1.9-billion for P&P goes in turn into the Army's total budget estimate—along with 10 other "general fund accounts," such as military personnel, maintenance and operations, military construction, research and development. (Congress appropriates lump sums under these titles, rather than specific amounts for separate programs such as Honest John.)

October. The Army's procurement and production bid is cut—but Honest John gets a raise. This happens when the Army sends its preliminary estimates to the Defense Dept.'s comptroller, Asst. Secy. W. J. McNeil. His office calls on Army officials to justify the requests, then knocks down the \$1.9-billion for P&P to \$1.6-billion. In the process, however, the Army ups its Honest John figure to \$31-million.

November. An over-all Administration budget policy for fiscal 1958 gets into the picture. Under orders from Defense Secy. Wilson, the Defense comptroller bounces the estimates back to the Army, asks for a cut in P&P to \$1.4-billion.

November. The revised \$1.4-billion procurement and production program gets a detailed going-over. The staff of the Budget Bureau's military division and the Defense comptroller's staff conduct joint reviews of the military budget. Army logistics officers have to justify their P&P figures in full detail—on Honest John, they have to explain why the Army wants so many when a successor missile is on the way. They argue that missiles are needed for training, and that it's necessary to keep production lines turning as a "readiness" measure.

Early December. Final estimates are ready. The Army sends back to Defense a final procurement and production program, showing planned obligations of \$1.394-billion. Honest John is cut back again to the original \$25.2-million, as a result of the questioning by budget officials in the November review.

Dec. 20, 1956. The Defense Dept. budget goes to the Budget Bureau, to be incorporated in the President's over-all fiscal 1958 budget message to Congress. Honest John doesn't show up by name—the budget shows only the total \$1.394-billion for P&P. But the detailed

For a Military Budget Item, It's a

THIS WEEK the military budget for fiscal year 1958, starting July 1, reached a semifinal stage—the stage of approval by the Senate Appropriations Committee of a fund of some \$34-billion for the Defense Dept. for military functions in the next 12 months.

Getting past this milestone puts the

military appropriation bill well on the road to final adoption. But it's only the latest step in a long drawn-out series of events peculiar to the business of hammering out a military budget—by far the biggest chunk of the overall \$71.8-billion federal budget.

Any budgetary process is a tedious

and time-consuming affair, but the military budget is the part most heavily involved in the mechanics of bureaucracy—the chronological story above gives you only the high spots of the process.

- **Eighteen-Month Cycle**—The over-all military budget cycle for fiscal 1958

Its Long Career as a 1957-58 Budget Item

shopping list at the Pentagon, backing up the requests, includes \$25.2-million for Honest John.



Jan. 16, 1957. Pres. Eisenhower submits his fiscal 1958 budget to Congress. It shows the "planned obligations" of \$1.394-billion for Army procurement and production (no mention of Honest John or other specific items). But it asks for only \$583-million in "new obligatory authority"—that is, new appropriations. The rest would be financed with carryover funds—money appropriated in previous years but still uncommitted. How much Honest John gets in each way doesn't show.

Feb. 5. The Administration's case for the Army budget opens in Congress. Army Secy. Wilber M. Brucker, appearing before the House defense appropriations subcommittee, reports that almost half of the \$1.394-billion P&P fund would be earmarked for guided missiles. Later, on Apr. 16, seven Army budget and logistics officials spell out details of the P&P fund. During these hearings, the Army shows its detailed shopping list—including Honest John's allotment—off the record—at the request of any subcommittee member.

Apr. 18. Budget cutting is in full swing. Pres. Eisenhower sends a message to House Speaker Rayburn with suggestions for reducing appropriation requests. One suggestion, though "at the expense of efficient programming," to withhold from Army's P&P fund \$516-million that the Army expects will be still unobligated at the end of fiscal 1958. Net result—subtracting from the

budget's \$583-million for new P&P appropriations—is to cut the P&P appropriation request to \$67-million. How Honest John or any single item fits into this isn't specified.

But meanwhile, Army voluntarily cut its Honest John request at the Defense comptroller's office from \$25.2-million to \$6.9-million. Reason for the cut: The need to keep production lines going as a readiness measure was a big factor in the Army's estimate. But a large Mutual Defense Assistance Program order for Honest Johns came along to take this load off Army's own budget.

May 21. Honest John's reduced appropriation (included, anonymously, in the Army's procurement and production total) starts toward passage. The House Appropriations Committee reports out the fiscal 1958 Defense Dept. appropriation bill, recommending the reduced \$67-million for Army P&P.

May 29. House passes the Defense Dept. appropriation bill, including the \$67-million "new obligatory authority" for Army P&P (not naming Honest John).

May 24—June 12. The process starts over again in the Senate. Army officials testify before the Senate defense appropriations subcommittee on budget details—asking for P&P only the \$67-million voted by the House. (But to this will be added, of course, the large carryover funds from previous years.)

This week's report by the Senate Appropriations Committee starts the bill toward Senate passage, then signature by the President. Whether Honest John gets the full \$6.9-million now earmarked depends, however, on apportionment procedure after the law is passed.



Long, Hard Road to the Money

goes back even further than any specific item. It began in the early spring of 1956, when the military services started translating their "program objectives" into the materiel requirements necessary to carry them out—and a bit later into detailed requests for money.

It will end early this fall when the

Budget Bureau finally "apportions"—that is, authorizes the use of—the funds which right now are still in the Congressional appropriation mill.

The whole cycle has been filled with tumultuous politicking within the Pentagon and on Capitol Hill—and by the deepest soul-searching in Congress

and the executive branch of the government, as Washington has grappled with the perplexing question of how much defense is enough.

• **Case History**—You get the best idea of the complexity of military budget-making by following a specific item through the entire process. The Army's

"... top Army officers marched in with charts, slides, films, brochures to defend budget estimates . . ."

STORY starts on p. 102

Honest John Rocket (military designation, M-31) is a fairly typical example. The step-by-step outline on page 102 gives you the highlights—but behind each apparently simple step, there's a complex story of calculations and adjustments, of jockeying among groups, of policy directives from above and pressures from below.

Actually, the military appropriation bill that moves next to the floor of the Senate—and that the House has already passed—never once mentions Honest John by name. Funds for its purchase will be available under a general section entitled "Procurement and Production, Army." This now provides:

"For expenses necessary for the procurement, manufacture, and modification of armament, ammunition, equipment, vehicles, vessels, and aircraft for the Army . . . \$67-million, to remain available until expended."

I. Working Up the Estimates

The story of how this sum originated begins early in the spring of 1956 in the office of the Army chief of staff for logistics ("Deplog"), Lt. Gen. C. B. Magruder.

At that time, the annual revision of short-range and long-range U.S. war plans had been made by the Joint Chiefs of Staff and approved by the civilian National Security Council. The plans spelled out future force levels, missions, strategy, and tactical considerations for each of the military services.

• **Guidelines**—Magruder's shop was assigned the chore of translating into materiel requirements the war plans pertaining to Army operations. First off, the logistics division set up general guidelines, tagged "materiel program objectives for fiscal years 1958-62," to set the stage. These provided for "full support of local war, and adequate support for a general war, as budgetary allowances will permit." Then, priorities were set up under which budget requests would be made.

Top priority—or, as the official program objectives have it, "maximum emphasis"—was put on "the introduction of new items." Lesser priority was set for (1) "The maintenance of balanced capability during the transition" from old weapons to new, and (2) "the modernization of existing inventories."

Against this background, Gen. Magruder's staff parceled out to the various Army technical services—Ordnance, Signal Corps, Quartermaster Corps, Chemical Corps, Engineers,

Medical, and Transportation—the job of specifying the nuts and bolts needed for their respective types of equipment, based on numbers of divisions, troops, and the like.

• **Figuring Honest John's Needs**—Lt. Gen. E. L. Cummings, chief of ordnance, went to work on missile requirements for the next year's budget. Early last summer, he came up with a figure of \$25.2-million for Honest Johns, or enough for output of at least 2,170 missiles.

His request reflected a variety of factors: the number of Honest John battalions already operational and scheduled to be activated; the rate of use for training; production costs; and the availability of production capacity.

Equally important, though, was Ordnance's evaluation of what one Pentagon old-timer calls "budget realism." He says: "The tech service chief has to make his request within a realistic framework or he will be laughed out of court."

• **Playing by Ear**—At this point, however, Ordnance had no official restriction on its money request, so in making its estimate, it played by ear.

"Last year we got our ceiling after we submitted our original request," an Army logistics official now complains. "They recognize that it's practical to give us the figure in advance, but they never can come up with it when the time comes to develop requirements. When we do get it, we have to back up on our requests."

• **On Its Way**—Ordnance's Honest John request went back to the deputy chief of staff for logistics to go into an overall budget estimate of \$1.9-billion for "Army procurement and production (P&P)." This was the total volume of contracts for weapons and other major equipment the Army then planned to award in fiscal 1958. In bureaucratic budget jargon, the sum is termed "planned direct obligations."

In addition, Deplog Magruder received requests from the Air Force and Navy to buy \$150-million worth of military hardware on their accounts—common-use items such as rifles, pistols, light machine guns, and small arms ammunition, for which the Army would be repaid later.

II. Through the Pentagon Mill

During August of last year, the Army comptroller, Lt. Gen. Laurin L. Williams, added the \$1.9-billion P&P sum to the budget estimates from other elements of the Army. He came out

with a total Army budget request close to \$12-billion.

Production and procurement is one of 11 "general fund accounts" in the Army budget. The others cover such programs as military personnel, maintenance and operations, research and development, and National Guard (there's one for "promotion of rifle practice," too). These are lump-sum amounts to be specifically listed in the appropriation bill.

The personnel account and the maintenance and operations fund showed planned obligations well over twice the P&P estimate. The Army comptroller reportedly trimmed these sums before putting together the total budget.

But according to one Pentagon insider, "The Army comptroller almost always rubber-stamps Deplog's request for P&P money."

• **On Up the Ladder**—In October, 1956, the Army's preliminary fiscal 1958 budget estimate moved up to the Defense Dept.'s comptroller, Asst. Secy. Wilfred J. McNeil.

Over the next few weeks, McNeil's offices were the scene of scores of conferences and briefings—many so elaborate that they would not have been out of place in an argument before the Supreme Court. Top Army officers, accompanied by squads of deputies, marched in with charts, slides, films, brochures, and elaborate technical reports, to defend budget estimates for each program.

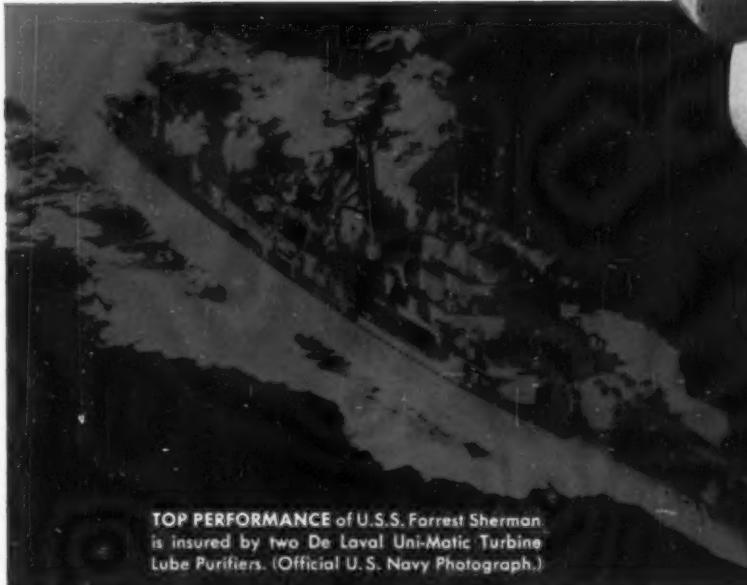
• **Pulling and Hauling**—McNeil's office knocked the P&P budget estimate down to \$1.6-billion. One of McNeil's aides explains: "In getting the first submission from the services, if the total exceeds our expectations—that is, if it doesn't fit in with our objectives—we make violent adjustments to get it down. Frequently, the adjustments are not in line with the services' thinking. But they get a chance to revise their own shopping lists to take into account McNeil's recommendations. So there's lots of review and negotiation before finalizing the estimate."

He can't or won't say, however, what the definite budget objective was at this stage.

During the pulling and hauling to get down to \$1.6-billion, the Honest John request went up to \$31-million—for no special reason that anyone can now recall.

• **Some Go Out**—But many items were slashed from the budget. The Army, for instance, put in for \$20-million to buy 28 utility helicopters. The Army Transportation Corps failed to specify to McNeil's satisfaction, however, the type and model of helicopter to be bought. McNeil wanted the Army to buy only one type of utility helicopter—such as Sikorsky's H-19, already in

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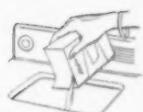
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"...the Army was getting 'skittish,' argued that it needed to build up its financial reserves . . ."

STORY starts on p. 102

the Army's inventory. His objective was to force the Army to get better unit prices and to simplify maintenance and supply—which has proven to be a big headache for military helicopter squadrons.

After somewhat heated meetings and correspondence, the Army's \$20-million request for utility helicopters was turned down, "due to the lack of specific supporting data."

III. High Policy Takes Over

In November, the Administration clarified its objectives for the new budget. Defense comptroller McNeil, acting on orders from Defense Secy. Charles E. Wilson, bounced the Army's budget estimates back again. He directed the Army to bring its total estimate for planned obligations down below \$10-billion.

Wilson's order, of course, reflected the latest thinking at the Treasury Dept. and Budget Bureau. It took into account the newest estimates of tax revenues, the status of the statutory debt ceiling, and other over-all policy factors.

For P&P, a lowered target of \$1.4-billion was now set. Another round of budget conferences was scheduled by McNeil's office to require the Army to justify its shopping list in still more detail.

• **Cutting a Corner**—At this point, the 37-man staff of the Budget Bureau's military division, headed by W. F. Schaub, moved over to the Pentagon to join McNeil's own 50-man budget staff in reviewing the services' money requests. Traditionally, the Defense comptroller has examined the individual military budget proposals on his own, then passed them on to the Budget Bureau for separate review.

In the last couple of years, the two agencies have held joint reviews to save time by eliminating a separate Budget Bureau review. But the Budget Bureau still reserves the right to trim the budget proposals—in the President's name—after the joint Pentagon review.

• **Honest John on the Griddle**—The Army Ordnance people were put on the griddle once more to explain the Honest John program. Why, they were asked, did the Army want to buy so many more Honest Johns when (1) a slowdown in the planned activation of Honest John battalions was in the works, and (2) a successor missile—the smaller Emerson Electric Little John, which can be airlifted (unlike Honest John)—was getting into production and would soon be in the hands of troops?

Ordnance explained that the additional missiles were needed to "provide training consumption at an emergency level." Just as significant, it said, was the need to keep Douglas Aircraft Co.'s Honest John production lines turning as a "readiness" measure until large-scale Little John output was under way.

• **Cutting Back**—The Budget officials pointed out that a heavy order for Honest Johns was about to be placed by the Mutual Defense Assistance Program. This foreign military aid money, they said, would provide the support for continued output of the missile.

Under this line of questioning, Ordnance reduced its requirement for Honest Johns back to \$25.2-million. The budget officials allowed this to stand. In early December, the figure went into the Army's revised P&P budget, which was approved with an estimate of \$1.394-billion in planned direct obligations.

IV. New Money and Old

All the while, the Pentagon's fiscal experts were poring over figures of "unobligated balances" still on the Army's P&P books, in preparation for deciding how much "new obligational authority"—that is, new appropriations—to ask from Congress for fiscal 1958. In the previous three years, the Army had not needed any new money to finance arms production; unspent billions carried over from hefty Korean-war appropriations had been more than enough to handle current spending.

• **Running Low**—Now the Army was getting "skittish"—as one McNeil staffer puts it. Its unobligated P&P balance would be down to only about \$1.5-billion at the start of fiscal 1958, and much of this was committed for long lead-time projects just getting underway. Army argued that a P&P appropriation request should be made to build up its financial reserves.

In general, the Defense comptroller agreed with the Army's viewpoint, if not its figures. There was considerable discussion—marked by the comptroller's cut in the Army requests, Army appeals to Wilson, Wilson's rejection of the comptroller's cut. The upshot was a decision to seek a \$583-million new appropriation for Army P&P.

• **Arithmetic**—Here's how the sum was figured:

The Army wanted as a fully uncommitted financial reserve enough money to carry out about six months of procurement. Based on the fiscal 1957 level, such a reserve amounted to

\$815.3-million. Add this sum to (1) \$1.394-billion Army P&P planned obligations for fiscal 1958 and (2) the \$150-million worth of contracts to be placed by Army for the Air Force and Navy. The total comes to about \$2.3-billion—the Army's total money needs.

On the other side of the ledger, the Army expected, during fiscal 1958, to get \$200-million in reimbursements on earlier purchases for other agencies. This amount, added to the \$1.5-billion listed as unobligated on the books, gives you a sum of \$1.7-billion, in round figures. That is what Army had available before asking for any new appropriation.

Subtract this \$1.7-billion on hand from the \$2.3-billion requirement. The difference comes to \$583-million.

V. Up to Congress

The Defense Dept.'s budget was five days late, according to budget schedule, when it went to the Budget Bureau on Dec. 20. Four weeks later, the President sent the total Administration budget to Capitol Hill.

Appropriations committees of both houses always hold detailed budget hearings, with the House of Representatives acting first. On Feb. 5, Army Secy. Wilber M. Brucker led off for the Army, and Army officials were trooping into the closed-door House Appropriations Committee hearings until mid-April.

While the hearings were under way, the expected Mutual Defense Assistance Program order for Honest Johns came through, taking the pressure off the Army to keep production lines going with its own money. So, with the Defense comptroller's approval, the Army changed its shopping list from \$25.2-million for Honest John to \$6.9-million. The remaining \$18.3-million was earmarked for other missiles.

• **Budget Slashing**—It was toward the end of the hearings that Pres. Eisenhower sent a message to House Speaker Rayburn, suggesting measures to reduce the total money requests of the Administration. This resulted in cutting new appropriation requests for Army procurement and production to \$67-million—by withholding requests for \$516-million, which the Army expected would in fact remain unobligated at the end of fiscal 1958. The President explained that the fiscal 1959 appropriation request would have to be increased by this amount.

As a Pentagon official put it, "The suggestion was psychological, to take the edge off the budget-cutting hysteria. Now we'll have to ask in one bite next year for what we had planned to seek in two."

• **Congress Action**—The House Appropriations Committee went along with

the reduced \$67-million figure in reporting out its bill for a \$33.5-billion appropriation for the Defense Dept. The Administration had sought \$36.1-billion. The House voted the bill on May 29.

In Senate committee hearings over the past month, Army officials—under orders—stood by the \$67-million request for P&P. The Senate should vote the military budget within the next two weeks—with P&P likely to hold at \$67-million. Any differences in Senate and House bills will be ironed out in conference, and the President will lose little time in signing the final bill.

VI. Last Act

But there's still another round to go before the Army gets its hands on the new Honest John money. This is the "apportionment" process. The military men will have to stand up once again before a joint Defense comptroller-Budget Bureau review of their obligation plans—this one even tougher than the earlier ones.

One Defense official explains why: "When we first look at the obligation plans in the fall, we're so far from the time in which they'll be carried out that we can't be too precise. Besides, we don't want to tie ourselves too close. After the appropriation bill is signed, we really wring out the shopping lists."

• **Rough Time**—Actually, preliminary apportionment hearings have already started at the Pentagon, with the objective of reducing the "administrative lead-time" before the money is made available to the services. It can't be taken for granted, however, that the \$6.9-million now listed for Honest John will be authorized for obligation.

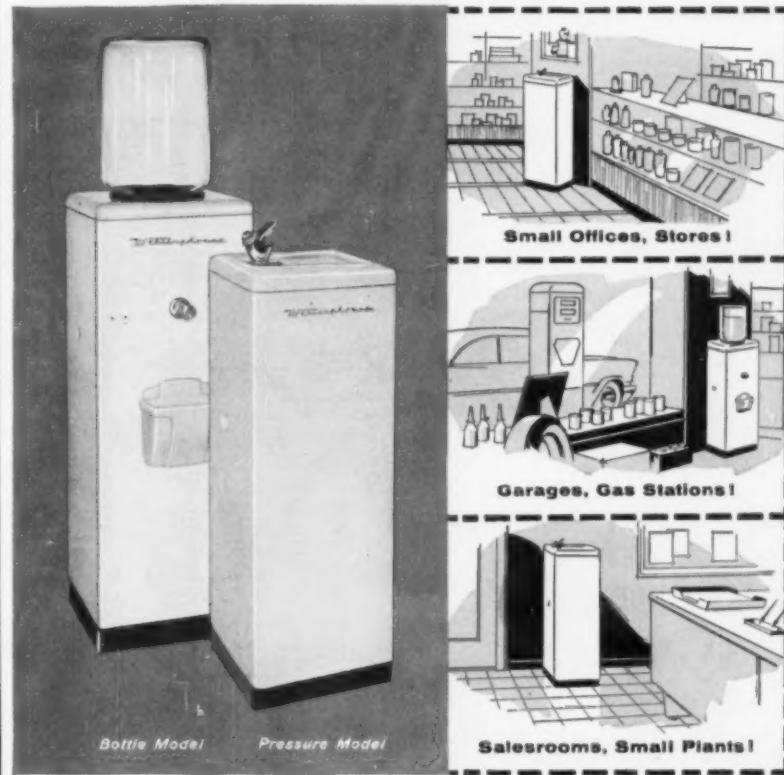
"We expect to give the Army a rough time on the Honest John apportionment," says a Defense Dept. budget official. He's suspicious of the Army's fluctuating demands for Honest John funds, feels that if the requirement were "really solid" the Army would have stuck by its initial request.

• **How It Goes**—For purposes of illustration, however, assume that the Honest John program will be allowed to stand. The process that follows goes like this:

Defense comptroller McNeil sends an "apportionment request" to the Budget Bureau with Secy. Wilson's O.K. on specific procurement items. If approved by the Budget Bureau, the \$6.9-million is made available to the Army comptroller. The sum is then allocated by memo to the deputy chief of staff for logistics, who issues a "schedule of commitments" to the chief of ordnance. Eventually Ordnance's Redstone Arsenal at Huntsville, Ala., is authorized to award the production contract. This will be no earlier than August. **END**

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TV Programmers Play It Safe

● Costs of TV advertising are soaring, especially for the program production and talent. Sponsors can't afford to invest in anything that might flop.

● As a result, next season's programs lean toward the proven formats at the most favorable hours.

● More of them will be on film, and more will be jointly sponsored—to spread the risks and the costs.

After months of jockeying between advertisers, executives of networks and agencies, and program packagers, the 1957-58 season of television programming is just about lined up. Especially for the evening hours, the decisions have been made (subject to some changes between now and September), and you can now see where the bulk of the \$1.5-billion to be spent on TV will go.

Generally, it will go where you would expect—into well established shows at popular viewing hours. Yet the pattern of programming also points up trends that have been building up:

- In the aggregate, advertisers will be spending more money than ever next season. The traditional top spenders will mostly continue to spend the biggest bankrolls. But, as TV costs mount, a notable number of pretty big companies show a tendency to retrench next season.

- The trend toward multiple sponsorship has virtually become the pattern. An increasing number of programs have alternate-week sponsors, and some have two to four part-time sponsors to share the cost.

- The networks are finding it harder to sell time and talent, especially the fringe periods of time and the untested talent.

- Programming markedly favors shows of established format. Two-thirds of next season's programs will be on film, compared with half this season. This cuts some of the risks of live shows, also spreads costs over reruns and secondary sales.

I. Cost Inflation

Much of what is happening can be chalked up to the rising cost of advertising on network TV.

Time rates are up. Depending on the network's rate card, the lineup of stations, and the discounts to which the advertiser is entitled, a half-hour can run \$30,000 to \$62,000. As time costs

rise, of course, the number of homes reached is also steadily increasing.

More important, though, is the sharp rise in the cost of the program package itself. Sponsor Magazine, a trade journal, estimates the average costs of talent for several types of program:

One-hour variety show—\$88,000 this season, \$130,000 next season.

Situation comedy—\$36,800 this year, \$41,500 next season.

One-hour drama—\$59,000 this year, \$83,250 next year.

For a half-hour weekly show under exclusive sponsorship, an advertiser can easily spend \$5-million or more for the season.

Too Rich—Nobody sees any possibility of reducing TV advertising costs. One network official, admitting that costs affect the plans of smaller advertisers, doesn't think they make much difference to the big advertisers, anyway.

Nevertheless, advertisers and agency people are concerned. "Maintaining effective continuity at today's TV prices presents a real problem to many advertisers," says Sigurd Larmon, president of Young & Rubicam.

II. Reaction to Costs

In spite of costs, most of the big spenders will be back next season, and the auto companies, which have been diffident about TV, will be pouring big budgets into the medium. Buick, after a season's absence from network TV, is back with two shows, and Pontiac will also be in the medium with a 2-hour special. Chevrolet is adding a regular hour-long show to its schedule, as well as a half-hour venture. GM is sponsoring Wide, Wide World and will also stage a special two-hour musical. Both Chrysler and Ford also have heavy program commitments.

High costs are forcing some changes, though. For one thing, decisions about TV expenditures are being made at the top management level of companies,

whereas often they used to be left to lower echelons or to agencies.

Advertisers also demand more say in the planning of the TV shows, and some observers think they are getting it. The networks are accepting more sponsor-recommended shows from outside packagers this season than ever before.

Cutting Back—Some companies are also retrenching, cutting their air time if not their actual spending:

- Aluminum Co. of America and Goodyear Tire & Rubber Co. dropped their one-hour programs and bought half-hour shows.

- Lincoln Div. of Ford Motor Co. has just pulled out of shared sponsorship of the Ed Sullivan Show, though its place, for a \$5-million tab, was immediately taken by Eastman Kodak Co.

- Lever Bros. Co. has dropped its long-time Lux Video Theater and is replacing it with a half-hour series.

- **Sharing the Load**—Finally, many companies are reacting to TV costs by joining the trend, visible for several seasons, toward sponsoring shows in alternate weeks rather than weekly, and toward sharing the sponsorship of each weekly program. With the alternate week arrangement, one company is featured while the other is briefly mentioned.

Sponsorship will be even more fragmented by growing use of the shared alternate arrangement, in which two or more sponsors advertise one week and a different team of sponsors takes over a week later.

A network official suggests two reasons why so many advertisers are adopting some form of alternate sponsorship:

- They can get their names before the viewers more frequently for the same outlay of money.

- They spread their risks in case a program flops.

III. Sales Resistance

All these factors, chiefly related to the high cost of TV advertising, make it harder than usual for the networks to sell their shows and time periods for next season. NBC Vice-Pres. Robert Lewine admits it is "a softer market than in previous years."

Usually by this time of year, the prime evening time segments are solidly booked and the networks are concentrating on selling the fringe hours. This year, each network still has important time periods and programs wholly or partially unsold. And often the sale

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of two or three big shows makes a great difference in the yearend profit picture.

- **Big Third**—This doesn't necessarily mean real trouble for the networks, however anxious they may be. It does mean, as one network executive says, that the days are over when time and talent could be sold by merely picking up the phone.

There has been more hustle and bustle among sponsors and programs, more switching from one network to another, than ever before. Telephone Hour moves from CBS to ABC; Danny Thomas goes from ABC to CBS; the Bob Cummings show moves from CBS to NBC, and Armstrong Circle Theater goes from NBC to CBS.

Part of this shifting-around comes from the emergence of ABC (American Broadcasting Co.) as a more potent competitor for CBS and NBC. It gives sponsors another place to land.

ABC has built up a bigger viewing market. Gene Accas, ABC-TV executive vice-president, says that in February, 1953, the net had only seven principal affiliates (five of which were owned and operated by the network) and reached live only 38% of TV homes in the U.S. Next season, ABC will be able to put live programs into 85% of TV homes. With delayed broadcasts it will reach 98%.

- **Casualty List**—Between the switching from network to network and the heavy mortality list of the season just ending, the TV program lineup for next fall, will have a new look.

Much of the current season's casualty list alone would have passed for superlative TV fare a few years ago. Variety, the newspaper of show business, reports that 55 of the 121 shows that appeared on the three networks this season got the ax—a few of them more than once, on different networks.

Shows not returning next year include such well established names as Sid Caesar, Alcoa-Goodyear Playhouse, and Robert Montgomery on NBC; Jackie Gleason, I Love Lucy (filmed reruns will be shown), and Arthur Godfrey and His Friends on CBS, and du Pont Theater on ABC. The blight has also hit such short-lived newcomers as Sir Lancelot, and Noah's Ark on NBC; The Brothers, and Hey, Jeannie on CBS; Circus Time on ABC.

This carnage goes a long way toward explaining why advertisers and the networks themselves are so cautious in planning the 1957-58 schedule.

IV. Playing It Safe

For whatever reason, the networks have come up with the "safest," least venturesome lineup of shows in television's brief history. The critics are scornful. The New York Herald Tribune

GOVERNOR JOE FOSS says:

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The illustration shows Governor Joe Foss in a suit and tie, standing on a grassy hillside. He is looking down at a map of South Dakota, which is overlaid on a landscape showing mountains, fields, and a river. In the background, there is a small town with buildings and a road, and a propeller airplane is flying in the sky above the horizon.

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Tell us how we can hit our industrial quota in South Dakota.

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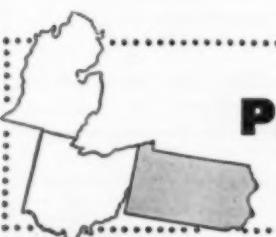


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FARM SHOW
Greatest Agricultural Show in the East
1958 Pennsylvania Farm Show
Harrisburg - Jun. 13-17, 1958
PREVIEWED IN THE JANUARY 11, 1958 ISSUE
CLOSING DATE DECEMBER 16, 1957

une's acerbic John Crosby, for example, laments "the creeping advance of mediocrity" on TV.

Following a few notable successes this past season, there are more "adult" Westerns on next year's schedule. *Restless Gun* is making its debut on NBC; CBS is airing *Havoc Gun*, *Will Travel*, and ABC is coming up with *Zorro*—to name a few. The networks are building several shows around the personalities of singers. ABC will be especially active, with Frank Sinatra, Pat Boone, Patrice Munsel, and Guy Mitchell; NBC has Gisele MacKenzie and Perry Como, whose popularity helped start the trend. CBS is launching *The Big Record*, a musical show headed by Patti Page. There will be plenty of new adventure shows—like ABC's *UF-61*, CBS's *Perry Mason*, and NBC's *Crisis*—and situation comedies of the simpler sort remain in force.

All in all, the 1957-58 array of shows is what TV people often hopefully call "meat and potatoes" programming. To garnish the meat and potatoes, NBC is planning at least 50 special shows at irregular intervals throughout the season, such as a two-hour version of *Annie Get Your Gun* and a musical "Pinocchio." Du Pont will sponsor 10 CBS 90-minute shows, and CBS also has a three times a month program called *Seven Lively Arts*, as well as other specials.

• **Public Taste**—Whatever the critics may think and write, the networks believe they are programming what the public wants. "The trend is toward programs you would want to see," NBC's Robert Lewine says. Harry Ommerle, CBS vice president, declares CBS is aiming at shows that "capture the imagination of the public"—not at the lowest common denominator.

The trend is leaving some of TV's staples high and dry, most notably comedians and serious dramatic shows. ABC will have no comedians next year; CBS will have Red Skelton, Jack Benny (every other week), Phil Silvers, and Danny Thomas; NBC is continuing George Gobel.

The cutback in drama is even more drastic. Not a single new serious dramatic show has been added to the regular fall schedule. NBC is left with only one hour-long dramatic program, *Kraft Theater*; CBS will have *Armstrong Circle Theater* alternating with *U.S. Steel Hour*, along with *Studio One*, *Clipper*, and its own *Playhouse 90* (this season's one big experiment and, perhaps significantly, its one big success); ABC has no serious drama on schedule.

One result of the new season's programming, trade people say, may be a more even division of audiences among the three networks. Chances are, they say, that no one network will dominate any single evening. **END**



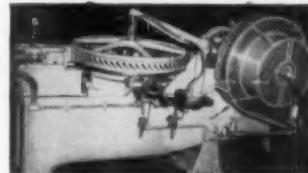
H. M. C. S. Bonaventure

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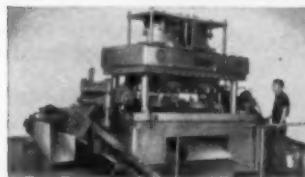
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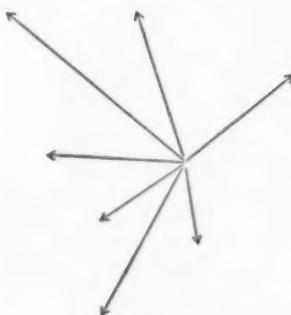
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HARTFORD-EMPIRE Forehearth & Feeder prepares glass for forming



ATOMIC TRAIN, wedge into a tight market, gets a tryout by Kusan's McLain and daughter. The model shown here is only partly finished.



FULL LINE of small, medium, and large trains is a must for newcomers in the field, and McLain plans to keep new models coming.

Toymaker

Kusan, a new entrant in the field, aims to give the established toy train giants a run for their money.

DAVID, the Bible tells us, used a sling shot. At Kusan, Inc., they are counting on the atomic toy train (picture, left).

William R. McLain, energetic head of Kusan and its subsidiary, Kusan-Auburn, has no illusions that he's going to down any Goliaths in the toy train business—but he sees nothing to stop his taking some sharp pot-shots at them. The 41-year-old president of the Nash-

Puts a New Train on the Tracks

ville (Tenn.) concern has some firm ideas on how little business can crack a market, even one that has for years been dominated by giants.

In the year ended Nov. 30, 1956, Kusan reported total sales of something over \$2.6-million, about two-thirds of which came from plastic toys. The rest came from sales of plastic molded and electrical components for the appliance, automotive, and other industries, and such miscellaneous plastic items as football helmets. Last year it launched into the toy train business. This year McLain has brought out some totally new ideas in trains and is set to go.

• **The Giants**—By any count, Kusan is a little business in a strong, tightly held

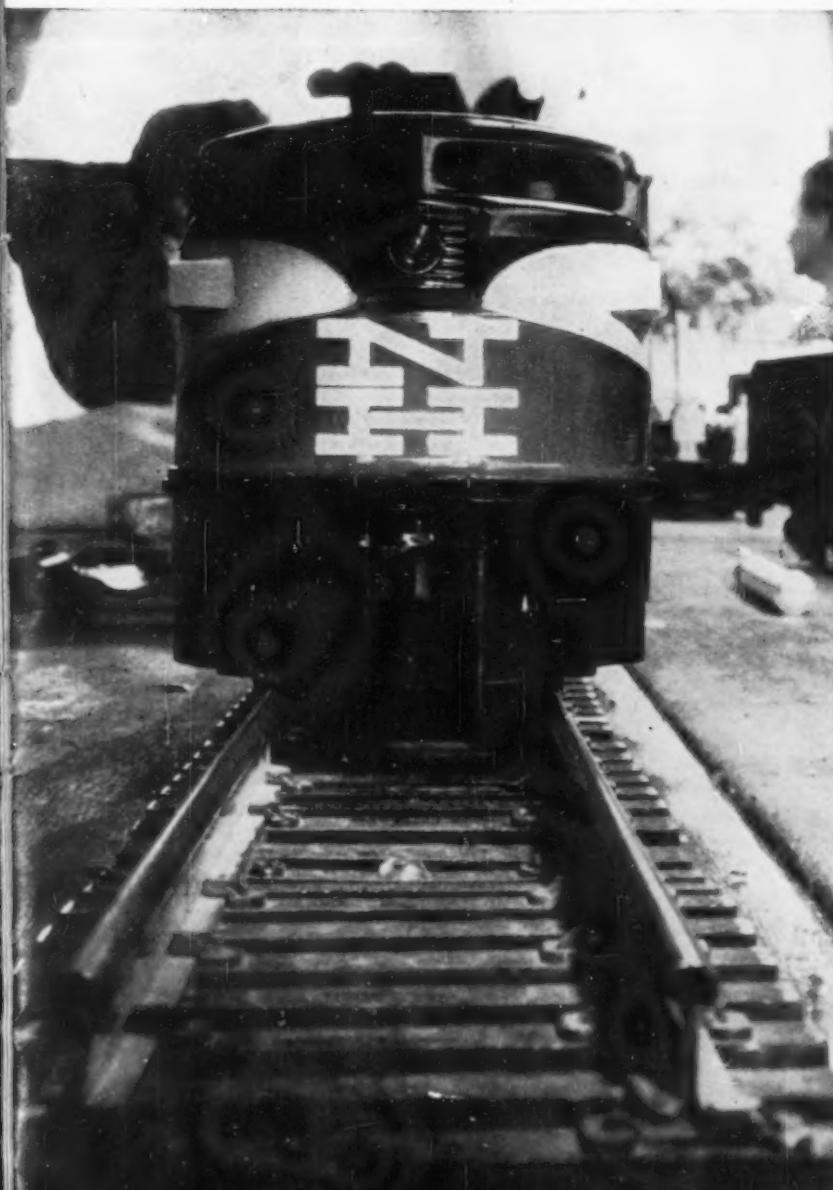
market. Estimates of the total train market—toy and hobby-run anywhere from \$70-million to \$100-million at retail, with the toy end accounting for by far the biggest segment. In prestige, the most formidable contender for Kusan is Lionel Corp. (BW-Dec. 15 '56, p120). It reported sales of nearly \$23-million last year, most of it in electric trains. A. C. Gilbert Co., the other well known name, had total sales of about \$15-million, but how much its American Flyer train division accounted for, Gilbert doesn't tell. The third big factor—by its own account probably the biggest in dollar volume—is the privately owned Louis Marx Co.

• **Price Lines**—The three companies

break up the market by price lines. Lionel, with retail prices running from \$19.95 to \$100 for the basic train, is at the top. Gilbert is close to center, and Louis Marx sets retail at from \$10 to \$35. Kusan has trained its guns at the biggest name of them all: Lionel. But its prices run lower; its top de luxe item retails at about \$85.

An A. C. Gilbert official says that anyone who wants to crack this field must have holes in his head. Lawrence Cowen, Lionel president, warns that a newcomer must have a product that is at least the equal in quality of anything on the market. And investment in equipment is enormous.

• **Kusan's Formula**—McLain, with a



in big as well as small sizes, bid for **KITS** year-round sales. Here McLain's daughters see how they go.



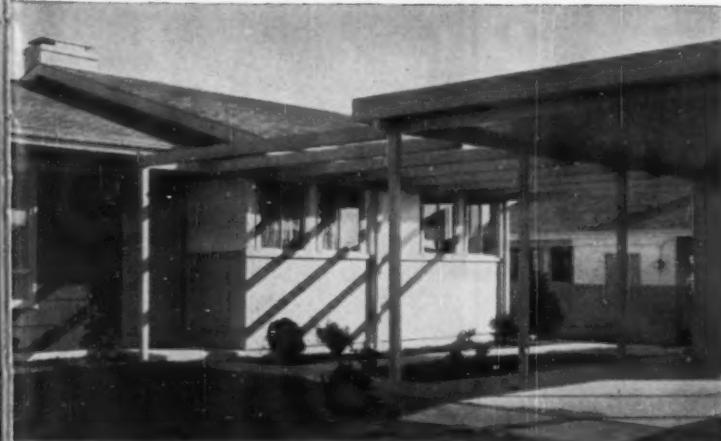
TOYS, mostly of plastic, account for about two-thirds of sales. "We specialize in diversification," says McLain.

DETAIL of tiny cars, mostly of plastic, is pride of Kusan-Auburn. Track has 17 ties to each section.

Only STEEL can do so

Shower The Bride. Thousands of retailers all over the country are suggesting a wonderful new practical way to salute the bride and groom—with gifts of steel. Your local store probably has a display of "bride-tested" gifts made from steel to make your shopping easier. While you're at it, why not select one of the countless beautiful and durable gifts of steel for the lady love in your life?

many jobs so well

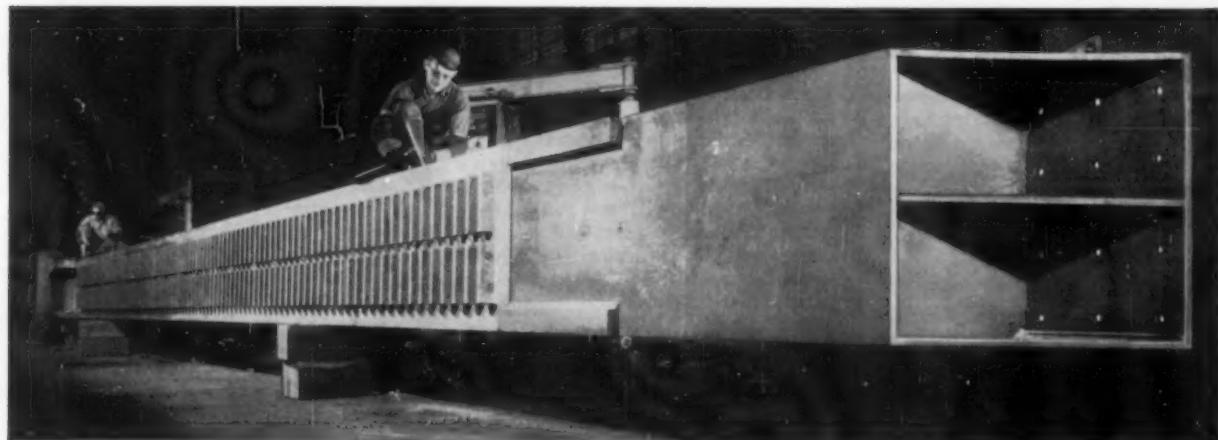


Steelaire Home. The entire structural frame of this house is made from tough, cold-formed steel, so it is unaffected by rot, fungus, and termites. Even more important is the fact that the steel frame resists warping and sagging. It's one of a line of *Steelaire* homes and is made by the U. S. Steel Homes Division of United States Steel.

World's Biggest Crowd. On power shovels, a "crowd" is the arm which moves the dipper and dipper-stick forward and back. It coordinates closely with the lift motion of the dipper, and is a key part in the operation of the shovel which must withstand extremes of stress at any temperature. This is a picture of the biggest crowd ever built, now installed on the biggest power shovel in the world. It's made from USS "T-1" Steel, the remarkable new constructional alloy steel developed by United States Steel. An exceptionally strong and tough steel, it is noted for its welding characteristics. "USS" and "T-1" are registered trademarks.



Slap That Bermudavarius! The Talbot Brothers of Bermuda, famous for their colorful calypso music, recently retired their homemade packing-case "bass viol," and proudly premiered in its place the world's first Stainless Steel bass viol (or dog house or Bermudavarius, as it's customarily referred to). An exact replica in USS Stainless Steel of their original homemade design, it was built for them under U. S. Steel's supervision by a well-known manufacturer of Stainless Steel sinks who commented that the fabricating job wasn't difficult—but certainly was different.



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full knowledge of the competition he is up against, still says confidently, "We're going to give Lionel a run for its money." He expects the whole industry to gain from the vital pricks of his new competition.

Kusan's formula is simple—in theory at least. The company is betting on three components:

- A full line of about 20 trains; a de luxe O-gauge (scaled at 4" to the foot); a slightly smaller, medium-priced "K" line that can run on O-gauge track; the HO hobbyist train ($\frac{1}{8}$ " scale).
- Quality at a competitive price.
- New products.

• **Departure**—The atomic train is exhibit No. 1 among the new products. This toy, just now getting to distributors, retails at \$44.95. It departs from tradition in this important point: Faithful reproduction of real trains has long been the standby and chief charm of much of the toymakers' output. McLain feels that children like to venture into fantasy. The atomic train is Kusan's idea of what such a product might be if there were such a thing.

To make the atomic train more alluring, it has extra "play value." The engine has a movable machine gun turret with adjustable guns. The power plant car has three lights that blink to simulate the burning of fissionable material. An "atomic cannon" can be raised and turned and recoils during firing.

Another new idea, offered this year for the first time, are kits that youngsters can put together to make trains that will run, not just in the conventional HO gauge but in the larger O-gauge size.

• **Refinements**—To bear out McLain's contention that he has a superior product, he cites such specifics as these:

- A track with 17 ties to a piece, against the conventional three.

• Technical improvements such as an automatic coupler that operates without electric circuits, on which a patent is pending; a new, simplified transformer that buzzes if there is a short circuit; a reversing mechanism that uses an electric current change rather than a mechanical change; a Duo-Trac that permits O-gauge trains to run on two-rail or three-rail track; snap wiring, adapted from the electronics industry, that eliminates solder joints, makes servicing easier.

• **College-Bred Idea**—It was while McLain was working his way through college that he decided he wanted to go into business for himself. He majored in chemical engineering, worked part time in the chemical department of Tennessee Eastman Co. While there, he had two inventions patented, for which he got the customary dollar in payment. A colleague believes that's when he decided he wanted to go on his own.

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St. Louis Southwestern Railway
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Tyler, Texas



"...we tucked the blocks under our arm and called on every store we came to..."

TOY TRAINS starts on p. 116

During the war, he became chief engineer of the smoke incendiary division of Redstone Arsenal, then served a stint overseas with the Navy. By the war's end, he knew plastics were his dish. He called in his college roommate, Earl C. Horton, now executive vice-president of Kusan, and the two went to work.

They started with an elaborate prospectus and a prayer. The prospectus won them a \$55,000 loan from a bank, plus what money Kusan's founders put into the company. They chose Hendersonville, Ky., for their first plant site. When the construction company moved too slowly for McLain's liking, he went to Hendersonville, picked up a shovel and started digging his own plant site.

• **No Sale**—The first product was a clear plastic block with a miniature character inside. First they strung the block on a cord, tried to sell it as sports belts. "I could sell them to my friends," recalls C. A. Horner, secretary-treasurer, "but no one else wanted them." And Kusan couldn't understand why Lane Bryant Co., then specializing in maternity clothes, said the belts were too small. Instead of selling the belts, they sold the nylon cord—at a profit that tided them over.

The road up proved steep. Says McLain, "We tucked the blocks under our arms, and called on every store we came to. Then we learned about jobbers." Refusing to take no for an answer, he gradually lined up eight or nine manufacturers' representatives, who sell to distributors on a commission basis.

"They did everything wrong at the start," says Pierre Delfausse, who was one of the first to act as manufacturer's representative. "The first blocks were a sort of khaki color. The packaging was terrible. The distributor's take was smaller than most toy manufacturers offered. The retail prices were pegged at levels the business never heard of."

• **Missionary Job**—But Delfausse, located in New York, believed in the blocks. "I did a missionary job on them," he says. He scattered them along Broadway, hoping to intrigue theatergoers. He left them at cashiers' desks in restaurants. He handed them to toymakers' truck drivers. He not only believed in them, but he got a 10% commission, instead of the 5% to 7% customarily offered.

Gradually the Koo Zoo blocks went over. They won a plastics award. To-

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day, about 30 salesmen for manufacturers' representatives sell Kusan toys—now expanded to include pull toys and musical toys—through some 4,000 jobbers across the country. Special inducements are no longer needed. The commission is down to normal. The packaging is bright and attractive. And it's a measure of the representatives' confidence in Kusan that the representatives all own stock in it.

• **Second Strings**—From the start, Kusan (it's the name of an Indian tribe, pulled out of the encyclopedia because McLain likes the letter K) had had an eye on contract business—making parts for other industries. Kusan added a second injection-molding plant at Woodbine, Tenn., primarily for industrial and custom products.

"We need diversification," McLain explains, "to round out production. Heaviest toy output starts in June, runs through November. Contract work in refrigeration and automotive parts starts in October, runs through May."

The toy train is his newest jump into diversification. McLain liked the potential of the market, he felt it was a field that could stand some livening up, and production facilities integrated with his other lines. To get into the business he bought Auburn Co., maker of hobby trains, in Indiana, moved it to a new plant, built last year, in Franklin, Tenn., and named the train-making subsidiary Kusan-Auburn.

• **Cut-Throat Market**—Trains fit into his scheme of things because they utilize the same electrical equipment he uses in his refrigeration components, for example. Thus, the snap-on wiring the little trains use is the same type he uses in appliance electrical harnesses. The train subsidiary buys its plastic from the parent company. "This way, we are set to jump either into plastics or electronics, whichever way the market indicates," McLain says.

He knows, though, that in getting into toy trains he is moving into an even tougher market than the cut-throat toy business. Lionel, says its president, is the biggest advertiser in the toy business. Kusan's name is relatively unknown. "And we can't afford to do much consumer advertising," says McLain. Most Kusan advertising aims at the trade, or goes to store demonstrations, or to catalogs.

Furthermore, competition is growing, especially in the hobby field. Several new companies have moved in in recent years. The top three manufacturers are all in the HO business now. But McLain thinks the big market is the middle-price ranges in the large trains. That's why he sets great store by his medium-priced "K" series.

• **Distribution Problems**—Tougher yet is the problem of getting distribution in a field dominated by big brand

names. Here is where new products such as the atomic train and the O-gauge kits should stand Kusan in good stead. Distribution is pretty much on an exclusive basis, but a Lionel distributor can handle the atomic train or the kits because Lionel doesn't make them. "We had to have a basic line or we couldn't sell at all," says McLain, "and that's what we concentrated on last year. But it's the new products that will get Kusan into the home."

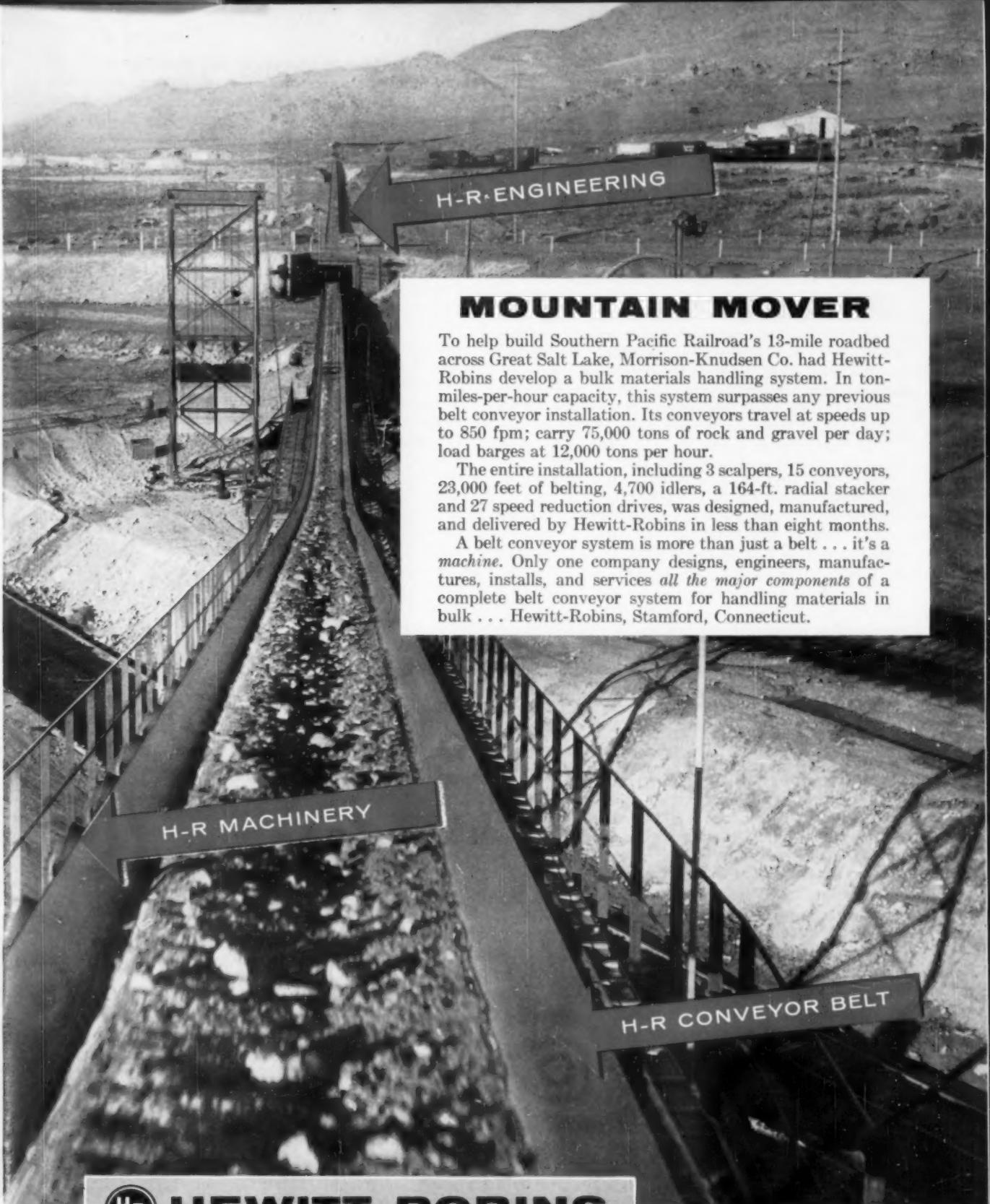
McLain is constantly looking for new possibilities for retail outlets for his trains. His company poked into the field, listed all the places where toy trains weren't sold. Furniture stores looked like a good possibility. They have the space, people take a long time shopping and the kids get tired; the trains on display keep them happy. He has had some success selling the trains door to door. And, like Revell, which entered the toy train business a year ago with a line of HO trains, McLain has sold some of his products as premiums.

• **Time Table Problems**—One problem with new products is that the real trains change so slowly. McLain feels it isn't impossible that an aggressive toy manufacturer can even give the railroads some ideas. Lionel puts big money each year into developing new lines, particularly new accessories. "New products" to McLain include purely fantastic items, that venture into the realm of science fiction. There's a danger in novelty, though, Lionel's Cowen says. You put a lot of money into tooling for new products and the novelty dies off in a year or so.

On production, Kusan-Auburn is approaching integration. It does not extrude its aluminum passenger cars, and buys its motors from Pittman, a top manufacturer, but its plastic work is its own. This spring it began to make its own transformers. It is gradually enlarging a small die shop, develops much of its own machinery.

• **In the Red**—It is an important part of McLain's marketing credo that he isn't out to build a business on low price. Partly his quality standards would preclude this anyway, and besides, "such a policy would be ruinous," he says. Thus, though he started his trains at a lower level than Lionel, as he improves his product and his line, his prices will reflect this improvement.

The heavy investment in plant and equipment for the trains last year put Kusan into the red; the toy division and the contract division both showed a profit, McLain says. "But we'll be in the black this year," he states. The well established veterans shake their heads in skepticism as to whether Kusan can make the grade. "They don't know Bill McLain," his manufacturers' reps say. END



H-R ENGINEERING

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To help build Southern Pacific Railroad's 13-mile roadbed across Great Salt Lake, Morrison-Knudsen Co. had Hewitt-Robins develop a bulk materials handling system. In ton-miles-per-hour capacity, this system surpasses any previous belt conveyor installation. Its conveyors travel at speeds up to 850 fpm; carry 75,000 tons of rock and gravel per day; load barges at 12,000 tons per hour.

The entire installation, including 3 scalpers, 15 conveyors, 23,000 feet of belting, 4,700 idlers, a 164-ft. radial stacker and 27 speed reduction drives, was designed, manufactured, and delivered by Hewitt-Robins in less than eight months.

A belt conveyor system is more than just a belt . . . it's a *machine*. Only one company designs, engineers, manufactures, installs, and services *all the major components* of a complete belt conveyor system for handling materials in bulk . . . Hewitt-Robins, Stamford, Connecticut.

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In Marketing

Too Few Buyers, Too Many Shows Scramble the Furnishings Trade

Confusion was the word for it at the big June home furnishings markets that wound up in Chicago this week.

One factor in the confusion is that this market follows the much-heralded April Chicago market, which some major manufacturers tried to make the main "new design show" (BW-Jan.12'57,-P112). Southern manufacturers, who have made hay from their unofficial spring markets, resented Chicago's intrusion into the spring show business. John Snow, executive vice-president of National Assn. of Furniture Manufacturers at Chicago, says, "**With four markets, buyers are dissipated to the point where the shows lose their effectiveness.**"

Yet NAFM is planning an October show, followed by three shows in 1958 (skipping the June market), and perhaps two—in the spring and fall—in 1959. These are the seasons when the big retailers want to order.

Buying is down—perhaps 20% below last year—at both the Furniture Mart and the Merchandise Mart. Attendance was off some, though not much. The best explanation for slow buying: "Buyers are working close to the vest." This in spite of the fact that for most retailers inventories are low, perhaps 20% smaller than a year ago. Stores are looking now, will do their heavy buying later.

For all the spotty buying, prices are fairly firm, though the trade reported some softness. Retailers are demanding quality design. They are concerned with profits, don't want odd-lot, discount items.

Most market-goers look for a seasonal pickup in the second half of the year. But they aren't talking of another 1956, when manufacturers' shipments reached a new high of \$2-billion-plus—a 10% increase over 1955. About half the gain came from higher prices.

GE Announces It Will Continue Battling to Enforce "Fair Trade"

General Electric Co., one of the dwindling number of companies still battling to maintain an enforceable "fair trade" policy, last week made clear that it had no intention of changing its stand.

In a formal statement, William H. Sahloff, vice-president and general manager of the Housewares and Radio Receiver Div., said:

"We intend . . . to maintain our fair trade policy as long as (1) no better system is available; (2) sufficient states maintain effective fair trade laws to make it feasible as a national program, and (3) as long as the great bulk of our dealers and distributors continue to support our policy."

The background for this statement apparently was GE's latest ruckus over its fair trade. That was a court

victory for Masters Mail Order Co., Washington (D. C.) discount house and subsidiary of Masters, Inc., New York, which permits Masters to advertise cut-rate prices of GE products in fair trade states like New York (BW-Jun.22'57,p65).

GE's fair trading is confined almost entirely to its small appliances. In the past couple of years many companies that formerly attempted to maintain prices at the retail level have dropped the idea as state legislatures have upset the necessary state fair trade laws as unconstitutional.

Sahloff argued that fair trade is necessary in an industry "which is based on mass exposure, mass distribution, and mass advertising." He reported that 73% of the retail sales of its small appliance come from fair trade states—enough to make policing worthwhile. A fair trade policy, Sahloff said, is made necessary by four "unfair methods of competition":

- Loss-leader selling—"all cut price promotions designed to attract store traffic, rather than sell the advertised item."

- Selling near acquisition cost by "grocery chains . . . providing the customer first purchases stated quantities of groceries . . ."

- Baiting prospects with well-known brands and then switching them "to little known models priced exorbitantly."

- Attempts by "the would-be monopolist . . . who figures that, by beating the other fellow's prices, he can capture all his business . . ."

Can't Lick Foreign Sewing Machines So U.S. Company Will "Join" Them

Imported sewing machines are making rough going for domestic manufacturers.

Last week White Sewing Machine Corp., Cleveland, a leading U. S. manufacturer, said it was going to increase imports of low-priced machines to stay in the competition. The imports will be built to White's specifications. White said that imports have accounted for nearly half the U. S. market in the past few years.

The company suffered a blow earlier this year when it lost the Sears, Roebuck account. The giant mail order house had been White's main private-label customer.

Sears, too, is going more heavily into the foreign sewing machine business. Last week it said its new catalog will offer four Japanese machines, in addition to one domestic one.

Sears hasn't much to say about its new offerings, except that they will sell under the Sears label, will be designated "made in Japan," and will range in price from \$39.98 to \$169.98 without cabinets.

The mail order house has carried a West German machine since 1954, at the relatively high price of \$239.95. It will continue to sell this machine in stores, but won't show it in the catalog.

American manufacturers, the company says, haven't been able to compete with foreign, feature for feature, and the foreign makes have been able to undersell the domestic product. White has tried to get quota restrictions on imports, but so far has been unsuccessful.

Film of **TENITE POLYETHYLENE** helps "package" many items



Here's an ingenious use illustrating three properties of polyethylene that make it a valuable packaging material.

The young lady in the picture has solved the perennial vacation problem of how to keep household plants growing while the family's away. Her solution is to "package" them in bags or film made of Tenite Polyethylene.

The polyethylene, offering resistance to transmission of water vapor, insures that water will not escape. However, the polyethylene film is gas permeable, transmits oxygen and carbon dioxide, and permits the plant to "breathe." Finally, being transparent, the film lets the sunlight through.

Transparency, gas permeability and water resistance are important in many packaging applications. But Tenite Polyethylene offers still more advantages. It is heat sealable... chemically inert... doesn't puncture, tear or "run" easily... remains flexible at low temperatures. Small wonder, then, so many of the things we buy now come packaged in Tenite Polyethylene.

Many industries are finding jobs for this versatile Eastman plastic. Adapted to rapid injection molding or continuous extrusion, Tenite Polyethylene is being used as wire and cable covering... industrial tape... coatings for paper, film and foil... containers of all types... pipe... housewares and other molded products. For more information on its properties and uses, write EASTMAN CHEMICAL PRODUCTS, INC., subsidiary of Eastman Kodak Company, KINGSPORT, TENNESSEE.

TENITE
POLYETHYLENE
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Dravo opens new Research Center in Pittsburgh

Solving problems for many industries

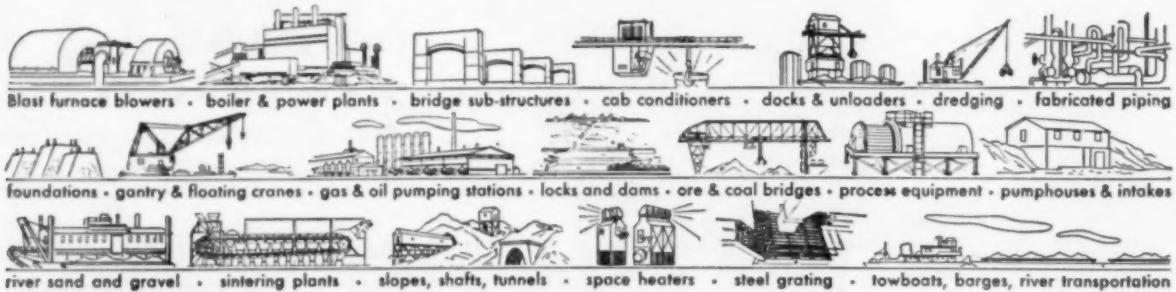
- What happens to cement under extreme temperature changes?
- How can thick, low-grade oil be burned in a space heater?
- Can "growth" be prevented in sinter machine grate bars?
- Can rudder design improve towboat maneuverability?

Finding answers to these and hundreds of other problems is the job of research teams at Dravo. The partial list of products and services shown below suggests how unusual the task is. It involves almost every

industrial field: construction, steel, chemical, petroleum, power, marine and many others. It is concerned with practical problems of materials and methods, equipment performance, quality control and cost reduction. It includes studies that may be of specific interest to you.

An issue of our publication, *Dravo Review*, describes these activities and the new Research Center where much of this work is performed. May we send you a copy? Write DRAVO CORPORATION, PITTSBURGH 25, PENNSYLVANIA.

DRAVO
CORPORATION



BUSINESS ABROAD

U.S. Ventures for a British Veteran

A venerable London printer, Thomas De La Rue, is looking for American business, already has a big U.S. partner in Britain.

ONE OF THE WORLD'S oldest and most famous printing companies, 144-year-old Thomas De La Rue & Co., Ltd., may be at a turning point—and about time.

Last year, the British company recorded almost all its trading profit of about \$3½-million in its security printing and plastics businesses. Its playing card, fountain pen, and heating equipment divisions either lost money or barely broke even. And De La Rue competitors suspect that even in its traditional field—the printing of bank notes, stamps, and securities—the profit margin has become so small that most of the earnings are coming from the new postwar enterprise, laminated plastics.

Now, as something of a new start, De La Rue is branching out:

- It has opened a New York sales office to canvass for prospects in the U.S. markets.
- Next month, it will deliver the first in what it hopes will be a series of orders of printing equipment for the U.S. Treasury's Bureau of Engraving & Printing.

- Also next month, at a London stockholders' meeting, Chmn. Bernard G. Westall (right) will announce details of a new partnership with American Cyanamid Co.

- Good Deal—In the deal with American Cyanamid, the two companies will team up through Formica, Ltd., of England to manufacture the products of Cyanamid's U.S. subsidiary, Formica Corp., for markets in Britain and elsewhere outside the Americas. De La Rue will give American Cyanamid 40% interest in the new company in return for Formica's trademarks and goodwill.

The partnership isn't entirely new. Ever since the end of World War II, De La Rue has held rights to Formica products under a 20-year license. It won the license at a time when it wanted to move into postwar plastics in a hurry. Happily, Formica was then busy enough at home not to be interested in expanding abroad. As a result, De La Rue has been able to develop a healthy trade in Formica products in Europe and the British Commonwealth, especially in the last seven years.

Now, Formica's parent Cyanamid is giving up its royalties in return for a



DE LA RUE'S BOSS Bernard Westall presides amid relics of a historic past.

hefty chunk in De La Rue's operation. Observers in London's City believe the move opens the door for U.S. investment in the company. Since the deal became known, De La Rue stock has risen.

• Hallowed Past—The company has a long history full of colorful anecdote and British tradition. Its founder, Thomas De La Rue, went to London from the island of Guernsey in 1816 to make straw hats and papier-mâché

bonnets. He overestimated his market, went broke, and returned to the printing trades, to which he had originally been apprenticed.

There, the young De La Rue showed such skill that King William IV commissioned him to print a Bible in pure gold. Then he won the Royal Warrant for His Majesty's playing cards. Through the years, this contract has been carefully guarded. Now, whenever the Queen travels, her itinerary is

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Saves \$20,000 PER YEAR**



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Two tower-mounted Diamond ITV Cameras automatically sweep back and forth watching the 29 acres of roof. This installation has been in continuous operation since September, 1955.



Remotely controlled zoom lenses . . . remote control to stop, start or angle either camera, enables the guard to take a close look at anything suspicious. Remotely controlled windshield wipers on weatherproof camera housings keep viewing windows clear in bad weather. Fire hasn't a chance to get a serious start.

Savings in guard wages amount to \$20,000 per year . . . will more than pay for the installation in a year. Lonely and sometimes unpleasant jobs are eliminated. Have you explored the money saving resources of Diamond ITV? Call your Graybar Distributor, or use the coupon below.

*Name on request.

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Title _____

Company _____

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sedulously watched, and the company delivers a fresh pack of playing cards upon her arrival in a foreign land.

De La Rue was more than a good printer. He designed the first machine to print playing cards, developed new types of art paper, pioneered new engraving methods, and—with his associates—devised the first envelope-making machine. In addition, by printing and selling calling cards, De La Rue probably had more to do than anyone else with turning their use into a high social art.

• **Company's Firsts**—After De La Rue died in 1866, his company carried on the inventive tradition. The company claims:

- The first fountain pen.
- The first printing of postage stamps by key plates.
- The first fully automatic direct plate printing machine.

As Britain's postal service expanded, De La Rue won stamp contracts. In 1855, it obtained the stamp monopoly in India. And from soon after De La Rue's death until 1910, it printed all Britain's stamps. That was De La Rue's golden age as a printer.

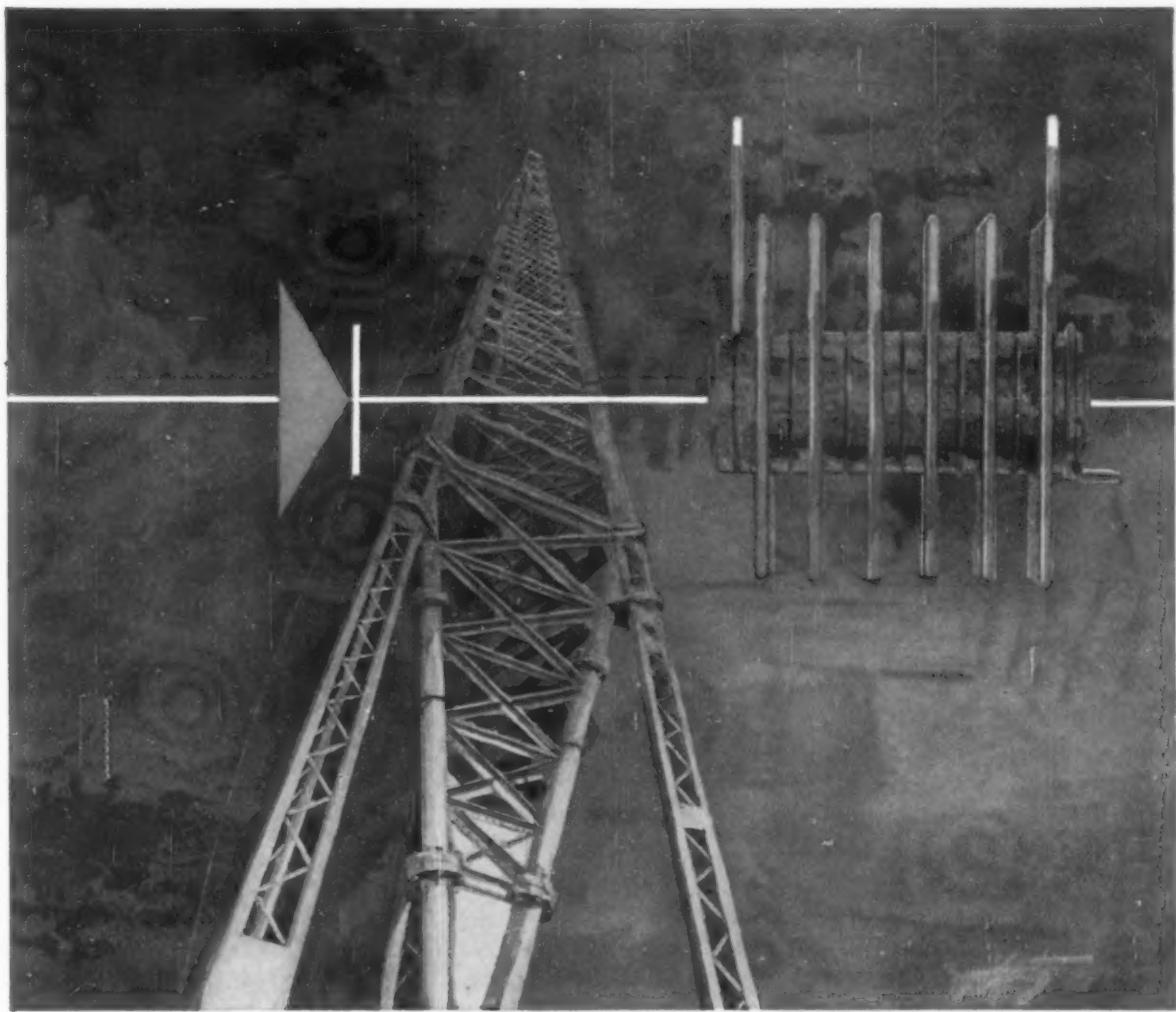
The company soon became complacent. India began printing its own stamps in 1926, and loss of the Indian market virtually bankrupted the company. An 8% debenture issue kept the company intact, but control went to new management including the present chairman, Bernard Westall.

• **Reconstruction**—Westall set out to rebuild the company. New salesmen went scurrying after currency and stamp contracts. In 1930, De La Rue signed up China's business. It built a factory in Shanghai, another in Rangoon, Burma. Facilities in London were expanded to cover a whole block.

Then came World War II. The blitz almost completely wiped out the London plant. Rangoon managed to keep going, but the demand from inflation-ridden China took all its production. De La Rue stayed in business in London through cooperation with other British companies, printed invasion currency for Western Europe.

In postwar years, the job wasn't easy. The fall of Chiang Kai-shek's mainland government in 1949 halved the company's security printing orders and trading profits.

• **On the Upswing**—Through aggressive salesmanship, De La Rue set out to recoup the losses. Brazil's currency business was won away from the American Bank Note Co., which competes with De La Rue both directly and through its British subsidiary, Bradbury, Wilkinson, Ltd. But this year American Bank Note took over the U.N. stamp contract that De La Rue has had since 1952. Intense—sometimes bitter—competition characterizes rela-



SELENIUM: ONE WAY STREET FOR ELECTRONS

A selenium rectifier is a compact, efficient device used to convert alternating current into direct current. It serves as a "one way street for electrons" in many everyday electronic devices . . . in everything from television to radar.

But besides its applications in electronics, selenium has many other rare characteristics: When exposed to light it generates an electric current, and so is used in light meters and photoelectric cells. Combined with cadmium, it imparts color to red automobile tail lights, to crimson paint, to red textile dye. Conversely, it is a highly efficient decolorizer in glass where maximum transparency is essential. It is used in the manufacture of cortisone. It imparts certain desirable characteristics to stainless steel.

ASARCO's metallurgists have succeeded in increasing the supply of selenium to the point where demands for this versatile element can now be met immediately, including

those for high-purity selenium—99.99 percent pure—which is required for electronic uses.

The present balance between supply and demand for this useful element is due largely to improved recovery processes, developed and perfected by ASARCO. Nobody mines selenium. It is available as a by-product of copper refining and exists only in some ores, and then only in trace amounts . . . not more than one part in 300,000 or 400,000.

ASARCO works with more non-ferrous metals and elements than any other company. Selenium, indium, tellurium and most of the other rare metals and elements; and copper, lead, zinc, silver and other long-known basic raw materials are all constant subjects for ASARCO Research. We will be pleased to help you find ways and means of using these metals and elements more efficiently and economically.

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Patented tube
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Leakproof, blowoff-proof
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Superior impulse life

Millions of feet
in service

Patented fireproof
construction

Self-supporting
pre-formed assemblies

Service-proved
constructions to 3000 psi

* Fittings for Fluoroflex-T hose meet the two most important requirements for systems conveying fluids under pressure: 1) *they do not leak*; 2) *they do not blow off*.

Fittings are swaged to both wire braid and tube. Compression on tube and "grip" of fitting are kept constant by a unique design feature (patent pending). Any cold flow which may occur in the tube is compensated for and actually helps maintain the seal. *Years of in-flight service on all types of military and commercial aircraft have demonstrated the inherent reliability of this design.*

Obviously, foolproof fittings are a vital requirement for aircraft. Unlike ordinary "do-it-yourself" fittings,

Resistoflex's securely swaged couplings eliminate the risk of human error in assembly—provide the safety factor which is the very minimum insurance that human lives and costly equipment should have for their protection.

VITAL FACTS ABOUT FLUOROFLEX-T

Fluoroflex-T hose starts with Teflon® powder—a raw material which, in the end product, can be made to vary greatly depending upon the fabricating methods involved.

Many years of research and testing were required to evolve the unique patented Fluoroflex-T tube which alone provides the flex-life necessary for the maximum degree of protec-

tion. Millions of feet of this hose are in service—proof of its reliability.

In addition, Resistoflex couplings fully complement the safety factors built into Fluoroflex-T hose. They are leakproof and blowoff-proof.

In aircraft hose made from "Teflon," the fabricator's experience and integrity remain the aeronautical engineer's best assurance of reliability and performance. Resistoflex not only originated hose from Teflon but developed the patented Fluoroflex-T tube.

If you have any questions whatever on the performance of hose made from Teflon, you can get the right answer, conservatively expressed, from Resistoflex.

® Fluoroflex is a Resistoflex trademark. Teflon is a DuPont trademark.

Originators of high temperature fluorocarbon hose assemblies

Resistoflex

CORPORATION

Roseland, New Jersey • Western Plant: Burbank, Calif. • Southwestern Plant: Dallas, Tex.



RAF VETERAN Norman has "new team."

tions between the two companies in the whole foreign market.

Today, much of South America's currency comes off De La Rue printing machines in Britain. The company retains traditional customers such as the Commonwealth countries, Iceland (for postage stamps), and Thailand—a client for 60 years.

De La Rue now has seven plants in Britain—two for security printing, two for laminated plastics, and one each for heating appliances, playing cards, and fountain pens. In addition, there are Formica plants in France, Spain, Italy, Germany, and one under construction in Australia.

• **Derring-Do**—Last year, when the U.S. Treasury sought bids on eight bank note printing machines, De La Rue studied the specifications, decided it alone could meet them, and began building the machines before the bid had been accepted.

It guessed right—it was the only bidder. Although the contract was awarded only three months ago, De La Rue now has a head start, expects to deliver next month.

Zip such as this stems largely from the new team that is moving into the helm at De La Rue. Chmn. Westall has picked Arthur Gerald Norman (above), a Royal Air Force hero in World War II, as his successor.

The new team suffered a severe setback in 1953 when government credit restrictions killed sales of a gas-fired stove it was building. At the same time, Australian import restrictions cut sales. In one year, De La Rue showed a trading loss of \$200,000. But the trouble seems to have been temporary.

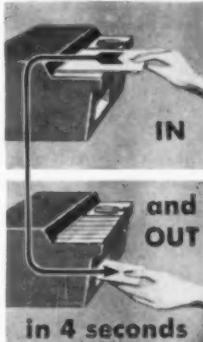
Said one London stock broker this week: "De La Rue has had its troubles in the past. But it has always bounced back. It is a progressive firm. It thinks like an American company—that is, it isn't afraid of taking risks." **END**

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Aping Peron's Anti-Foreign Line

Candidate Frondizi (right) is taking leaf from former dictator's book—and clouding outlook for U.S. business—in bid for Argentine votes.

"It's a lousy thing to have survived Peron only to face this guy," said the manager of a U.S. subsidiary in Argentina last week.

He was referring to Dr. Arturo Frondizi (picture)—48-year-old lawyer and politician, and the only one so far who has officially announced his candidacy for president of Argentina. Right now, Frondizi is actively campaigning for the top political post. Backing him up is Argentina's largest legal party—the left-of-center Radical Party.

• **Nationalist Line**—Frondizi may fall by the wayside during the months ahead. He has formidable opposition—not only from Argentina's myriad political factions but also from within his own party. But as of now, he appears to be out in front in the race.

He represents the kind of ultranationalist thinking that dictator Peron encouraged and almost every politician since has copied. It darkens the outlook for the many U.S. and foreign businessmen who have waited optimistically for the effects of the Peron storm to blow over.

Since Peron's downfall in September, 1955, a caretaker government has ruled the country. Now Provisional Pres. Pedro Aramburu plans to transfer power to a democratically elected government to be chosen next February.

Between now and then, Frondizi will battle to put his divided Radical Party together, and win votes with his ultra-nationalist bait.

• **Lessons From Peron**—Just this past week, Frondizi led the way in opposing Aramburu's plans for electing an assembly next month to revamp the 1853 constitution along more democratic lines. Frondizi would just as soon put the 1949 pro-Peron constitution—with minor changes—back on the books. Frondizi's strategy is to play up to the 4.5-million workers who still talk nostalgically about the "good old days" under Peron. The fact—which Frondizi readily grasps—is that Peronistas continue to hold the balance in getting a politician elected in Argentina today.

Under Peron, Frondizi and the Radical Party were a small but vocal opposition. The party, mostly drawn from the middle class, fought Peron's jailings, his demagoguery, his dictatorial powers.



ONLY CANDIDATE so far for Argentine presidency is Radical Party's Arturo Frondizi.

But from watching Peron in action, Frondizi learned a lesson he has taken to heart: Woo the masses.

Thus, while privately viewing Argentina's problems realistically, he has worked on stage to become all things to all men.

"Trying to get Frondizi to commit himself is like trying to seize an eel with bare hands," one politician said recently. Frondizi figures that taking a stand on any issue—for instance, on religious instruction in schools—would mean few votes gained, many lost.

If there is any consistent thread in his policies, it is anti-Aramburu, anti-landowners, and anti-foreigners. During its only time in power—from 1916 to 1930—Frondizi's Radical Party followed a somewhat similar line.

• **Fears**—What disturbs U.S. businessmen is that a Frondizi-type administration, duly elected, might move even slower than Aramburu in cleaning up the mess Peron left behind. Aramburu has had to toe a middle-of-the-road

line. Yet he has dealt forcefully with the military. He has kept wage rises within reason. He has made friends with Washington. He has helped firm up a \$100-million loan from the Export-Import Bank, and made a good impression on a recent World Bank mission.

A Frondizi government would presumably have the mandate to tackle Argentina's three-pronged problem: obsolete railroads, power shortages, oil development. But it now looks as if an elected government might let the economic problem go to pot—to keep the workingman's vote. In fact, observers see U.S. and foreign capital being made even more of a bugaboo than it was during Peron's time.

A military coup could throw a monkey wrench into political plans. But many observers hope that if Frondizi does come out on top, he will throw off his campaign tactics and settle down to a realistic approach for tackling Argentina's problems. **END**

The editors of FACTORY *are privileged to present...*

"The Top Plants of 1957"

FROM among almost 1,000 new plants completed during the past year, and nominated for FACTORY's 23rd Annual Top Plants Competition, the editors have selected the ten on the following pages as representing the best all-around manufacturing facilities.

In creating these distinguished plants, their managements, architects, engineers and builders have of course added significantly to each

company's own productive capacity and technological progress. But it is even more important to note that these companies have also made a far broader contribution — to the industrial community as a whole.

These handsome, functional, easily maintained facilities are now models which others can follow. The advanced thinking of their creators has now become the source of ideas out of which will come the even better plants of next year.



General Electric Company, Air Conditioning Division, Home Heating and Cooling Department, Tyler, Texas. To get a flexible, expandable facility for the burgeoning home air conditioner industry, General Electric used all the usual methods, invented new ones, not the least being the approach to its own air conditioning problem. A park-like setting marks this new plant as a good neighbor in a fast-growing Texas community.



Leeds & Northrup Co., North Wales, Pa. Looking ahead to tomorrow's problems of production volume and product mix, Leeds & Northrup built a job shop with flexibility and expandability that fit it for whatever the future may hold. This unusual combination of foresight and ingenuity offers a rare opportunity for adaptation by other planners with similar problems.



Rheem Automotive Company, A Division of Rheem Manufacturing Co., Fullerton, Calif. For an industry where competition makes demands seldom met elsewhere, Rheem Automotive built a plant marked by a touch of genius in the planning of manufacturing, personnel and office areas. Bays are big enough to take change in stride. A spacious site and abundant facilities will ease future expansion.



Lambert-Hudnut Mfg. Laboratories, Inc., Subsidiary of Warner-Lambert Pharmaceutical Company, Lititz, Pa. With its handsome new plant Lambert-Hudnut has translated a dream into reality. On spacious grounds stands a facility that matches the beauty of its surroundings; is highlighted by a smooth, efficient materials handling system; boasts production areas and employee services that stamp it a good place to work.



Miniature Precision Bearings, Inc., Keene, N. H. For a product that weighs from 3 ounces to 3½ pounds per 1000 units, Miniature Precision Bearings built a plant where air conditioning and dust control are second to none. A breath taking use of interior color helps provide unsurpassed illumination. And its fine employee facilities are topped off by an inviting roof garden.



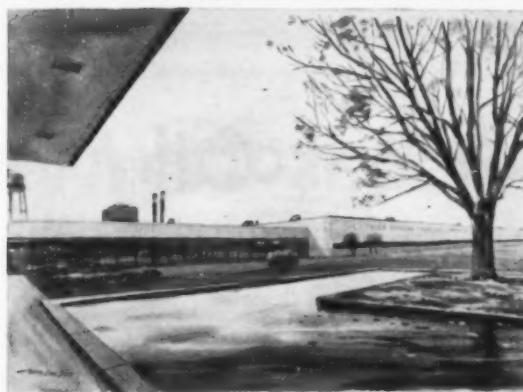
Sundstrand Denver, Division of Sundstrand Machine Tool Co., Denver, Colo. Dramatic proof of the forward thinking that went into Sundstrand's new plant is found in the ease with which it has already been expanded and in its absorption of nearly double the planned occupancy. Nor will spiraling demands for defense products create new expansion problems. This plant will be ready for anything.



H. W. Lay, & Company, Inc., Chamblee, Ga. Bold, modern architectural design for a plant making a consumer product provides an eye-catching "advertisement" to motorists on a heavily traveled route without impairing the efficiency of its production lines. By adapting new ideas from unrelated industries, H. W. Lay has built a plant that will be an inspiration.



Owens-Corning Fiberglas Corporation, Barrington, N. J. To meet the demands of a booming market, Owens-Corning Fiberglas created a colorful plant that can be stretched to four times its present size; equipped it with services that assure uninterrupted production; gave it a handling system that is a model of efficiency; made it a showcase for its own products.



Thompson Products, Inc., Michigan Division, Warren, Mich. The drive for efficiency—necessary for survival in a highly competitive industry—didn't bar Thompson Products from building a handsome plant where people like to work. Employee extras include superb ventilation, acoustic ceilings, and a glass-walled cafeteria overlooking a tree-shaded pool.

"A contribution to the Industrial Community"

If you were to ask any of FACTORY's editors what the particular purpose of his magazine was, he would probably answer "To be useful to the men who operate the country's industrial plants." And that, after all, is only a simpler way of expressing "contribution to the industrial community."

FACTORY's "Top Plant Awards" are a classic example . . . a feature that started back in 1934, and has been going strong for 23 years. And each year it is a sizeable task, coming as it does as an addition to the regular editorial job. The model plants you see here, for instance, are the result of more than six months of intensive investigation, review and rating by a corps of FACTORY editors, aided by a nationwide network of McGraw-Hill news bureaus.

This, to be sure, is a project of major scope that few other business publications might have the manpower and facilities to tackle. But the editorial attitude and conscience that created it live and breathe right in the pages of FACTORY itself. For of all the attributes that make a great magazine . . . and a great advertising medium . . . the one that matters most is an omnipresent sense of editorial responsibility.

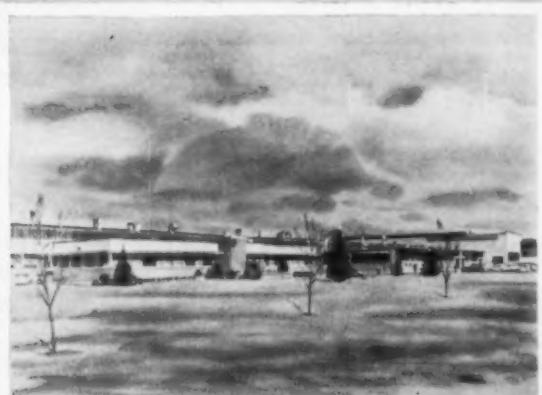
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MANAGEMENT AND MAINTENANCE

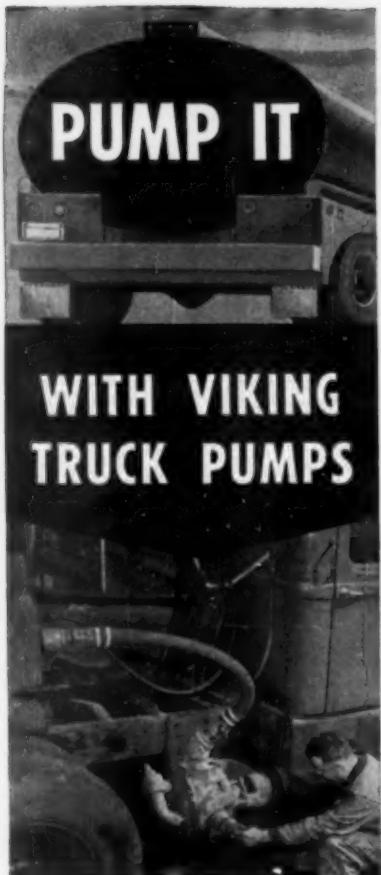
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Nominate now for current Top Plants competition. New plants completed in 1957 are eligible. Write to C. E. Walsh for nominating blanks.



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RETAIL TRAINING at Socony's Long Island center gives employees from Ghana and France

Overseas Oil Men

Socony Mobil brings foreign workers to plants and schools here for training at every level. Almost all the international companies do the same.

THE GIANT U.S. oil companies have the biggest manpower problem of any U.S. industries operating abroad. They recruit virtually all overseas per-

sonnel—even top brass—at the local level. They employ Arabs, Nigerians, Colombians—in fact, almost any nationality you can think of.

By that fact alone, the oil companies have to play a big role as educators. Each year they bring back over 1,500 foreign nationals to the U.S. for all types of training. Oil-field workers train as roughnecks and roustabouts, retailers as service station attendants, supervisors as office bosses. Even customers



knowhow to run service stations.



MANAGER H. C. Gouveia De Franca from Portugal learns oil storage techniques.

DRILLING with U. S. crew in Pennsylvania trains Leopoldo Brito (left), Venezuelan.



COURSES at Ohio Wesleyan educate Zahri Muntasser (left) for Socony job in Libya.

Learn How U. S. Does It

and foreign government officials, who deal with the companies, get training here on oil company time and money.

Take the program (pictures) run by Socony Mobil Oil Co., Inc. Of Socony's 25,000 employees overseas—stationed in practically every country in the free world—only 1% of 1% are Americans. Altogether, Socony trains some 200 men annually from overseas.

• **Expensive Course**—For middle management, Socony runs a three-month

course each spring that includes lectures, visits to refineries and labs, and discussions with customers. Some 39 men from 24 countries have just completed this spring's program. The education isn't cheap—at least \$3,000 per man for the three-month program. Other employees come year-round for retail and production training—often for a full year.

All oil companies operating overseas—Socony included—train employees on

the spot. Standard Oil Co. (N.J.) has a four-year-old center for Europeans at Abingdon in Britain, another for Latin Americans opened this year in Cali, Colombia. Creole Petroleum Corp., Standard Oil affiliate, has brought in Northwestern University to organize a school in Caracas for Creole's Venezuelan personnel. Caltex and Stanvac (50% owned by Socony) also run on-the-job programs—as well as courses here in the U.S. **END**

In Business Abroad

Breaking the Business Ice in China; Austin Gets Order for 76 Trucks

Austin Motor Co., Ltd., is believed to be the first British company to receive an order from Communist China since London unilaterally modified the trade regulations with mainland China (BW-Jun.8'57,p117). The contract, worth nearly \$300,000, is for 76 long wheelbase truck chassis with engines. Austin says the order dropped into its lap, may have come as a result of advertising in the Chinese press.

Meanwhile, West Germany, which does more business with China than any other Western European country, has abolished the special restrictions on trade with Peking. Other nations that had previously announced they were going along with Britain are: The Netherlands, Belgium, Luxembourg, Norway, France, and Italy.

Beset by Smuggling, Indonesia Tries Devaluation, Pledges Assorted Reforms

Indonesia has, in effect, devalued its currency. However, devaluation in Indonesia's case is largely an academic term since the Asian island republic has never been able to make a par value stick for its rupiah. Under the old rate, smuggling had increased to the point where little trade was based on the official rates. The Indonesian government hopes a new system of more realistic rates coupled with internal measures to dampen inflation will bring more foreign exchange into the Bank of Indonesia's coffers.

The heart of the new exchange reform is the introduction of an exchange certificate system for both exports and imports. A free rate for the rupiah will be established by issuing exchange certificates to exporters which they may sell, in turn, to importers.

How well this system works will depend on how far the government in Djakarta is willing to enforce an anti-inflation program. It has promised to cut government expenditures, increase excise taxes, and has decreed new restrictions on private bank credit.

If Djakarta cannot also curb the increasing separatist tendencies of the outer islands, the central government's actions on Java will be just gestures.

Colombia's New Regime Sweeps Up Fiscal Debris of Ousted Dictator

Over a month ago, Colombia kicked out dictator Gustavo Rojas Pinilla and began the return to democratic government. Now the government is dismantling the economic machinery that practically ruined the country's financial position. In one swoop the government has:

- Slashed military and government expenditures by nearly \$20-million.
- Freed imports and exports from most of Rojas' controls.
- Laid plans for taxing high incomes and excess profits to compensate for the loss of revenue formerly received from imports and exports.

Already, there's one bright sign: Coffee exports, the country's mainstay, are increasing—and at a better price. And there's talk both the Ex-Im Bank and the International Monetary Fund—both already heavy Colombian creditors—will grant new loans.

Red Poland's Tinge of Independence Shows in Purchases from West

Communist Poland—now following the line of "national Communism" somewhat independent of Moscow's dictates—made sizable purchases from the West during the Poznan fair (BW-Jun.22'57,p134) according to latest reports. Among the orders: \$14-million worth of TV sets and \$3-million worth of textile machinery from Britain.

However, Poland is still buying more from its Communist neighbors than from the West. It has ordered 30 buses, 1,000 motorcycles, and 10,000 TV sets from Hungary. It has also bought radio sets from East Germany. In turn, Poland reportedly has sold \$3-million worth of mining equipment to Czechoslovakia.

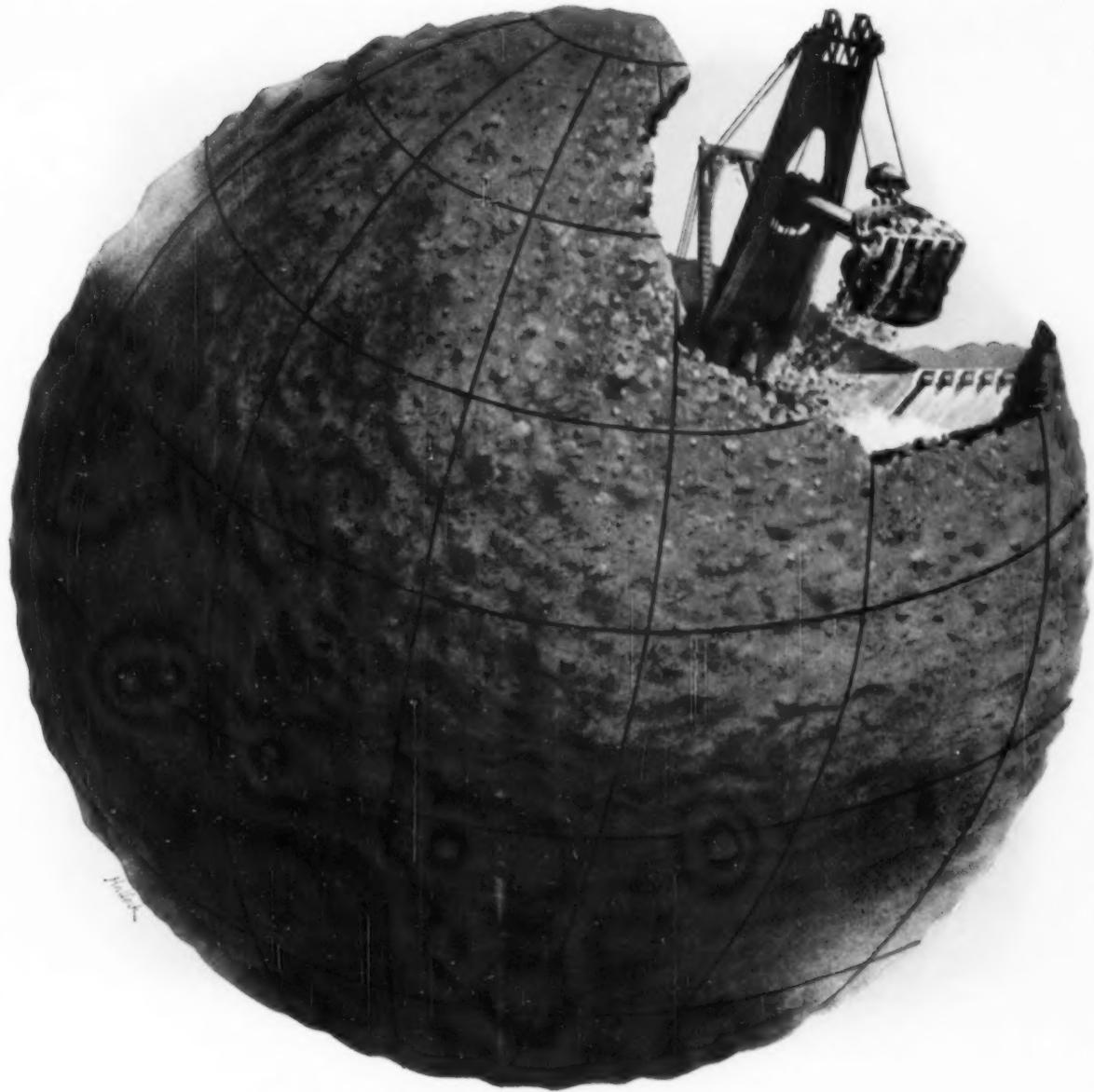
Business Abroad Briefs

New foreign projects: Chemstrand Corp. has formed a joint company with Mitsubishi Rayon Co., Ltd., Japan, to produce acrylic fiber there. . . . Parke Davis Inter-American Ltda., plans to start building a new plant in Bogota, Colombia, in about two months. Nine other pharmaceutical firms will go into production there shortly. . . . Goodyear Rubber Plantations, Akron, is starting a \$2-million rubber plantation in southwestern Guatemala. . . . Roger Williams Technical & Economic Services has opened a Havana office.

The first contract for construction at Brazil's new capital site, Brasilia (BW-May 11'57,p46), has gone to Raymond Concrete Pile Co.

U. S. Chemical Companies in Australia are expanding: Union Carbide is understood to be in an advanced stage in merger negotiations with Trimbrol, Ltd., Sydney, a large Australian-owned chemical firm. Olin Mathieson Chemical Corp. is planning Australian operations although the extent of local manufacture isn't known. Dow Chemical Co. has licensed CSR Chemicals, Ltd., Sydney, for the manufacture of Styron 475.

Kuhn, Loeb & Co., and Kidder, Peabody & Co., Inc., have arranged the private placement with institutional investors of securities totaling \$1,695,000 of La Financiera Nacional, S. A., of Caracas, Venezuela.



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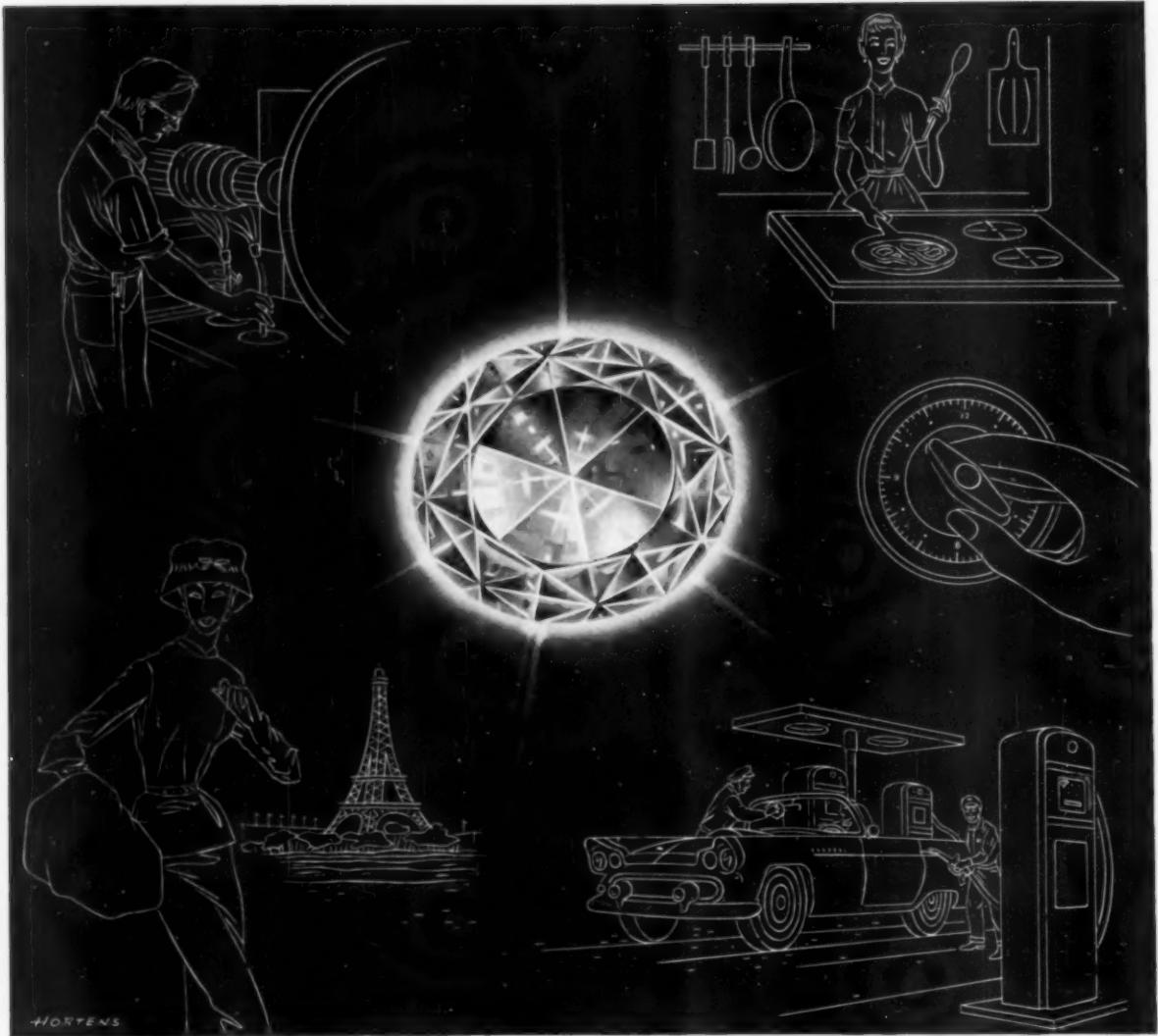
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INTERNATIONAL OUTLOOK

BUSINESS WEEK
JUNE 29, 1957



A BUSINESS WEEK
SERVICE

Next week the French National Assembly begins debate on ratifying the Rome treaties for the European Common Market and Euratom (page 70).

Paris observers are optimistic about the outcome. France's "Europeans"—Socialists, Catholics, Radicals, and members of splinter parties—are trying to bury their domestic differences long enough to get the treaties through. Chances are good they will beat the right-wing nationalist and Communist opponents of European economic integration.

But, once the treaties are out of the way, the prospects aren't bright for the new government of Premier Bourges-Maunoury.

Bourges' most urgent job is to find a way out of France's financial crisis. He expects to get a \$285-million advance from the Bank of France's gold reserves. But this won't last more than two months at the rate France has been paying out gold and dollars to cover its trade deficit.

Ultimately Bourges must undertake a long-term program, with help from abroad. That aid is available, but only on condition that France straighten out its economic affairs. The International Monetary Fund then could let Paris draw another \$262.5-million. The West Germans—embarrassed by their growing dollar hoard—would lend the French \$100-million. New loans might even be forthcoming from U.S. sources.

Aside from his financial problems, Bourges faces France's most difficult and unsettling problem: the Algerian war.

Sentiment seems to be growing for a negotiated settlement with the Algerian nationalists. But any compromise would be fought bitterly in the French Assembly, and would incur the wrath of large groups of French voters. Only the strongest leadership—and Bourges cannot muster that—could carry it through.

Gen. Charles de Gaulle is being touted as the man for the job—just as in almost every postwar French crisis.

—•—

Washington continues to operate on the assumption that the Soviet Union may mean business at the London disarmament talks.

U.S. officials are just beginning to think about the economic impact any sort of first-step arms control agreement would have on American industry. It's all informal and their thinking hasn't gone very far.

Preliminary guesses, however, are that government defense spending might drop \$3-billion to \$4-billion in the first full year of an arms control agreement, even allowing for the fantastic cost of a continuing missile program. About \$2-billion would be saved on manpower cuts, the rest from scaled-down procurement on conventional weapons.

Industry would be affected unevenly. Companies producing softgoods like uniforms and rations would be harder hit than those producing the latest weapons. Thus, arms control would accentuate today's trend in defense procurement.

—•—

There's an increasing possibility of a Soviet-West German trade pact. This week Soviet Foreign Minister Gromyko reportedly agreed to discuss repatriation of Germans still held prisoner from World War II. Bonn has made this a condition for any trade talks.

Success of such negotiations is more important for its political implica-

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JUNE 29, 1957

tions than for trade. West German industry is producing to capacity, couldn't take on any great increase in business destined for the Russians. (Still, the crumbs are nice. This week Friedrich Krupp picked up a Russian contract for a \$4-million synthetic fibers plant.)

A Soviet-West German trade pact would be a feather in Chancellor Adenauer's cap. And one that comes before election. His Socialist opposition constantly accuses him of following U. S. policy, asks that Bonn strike out on its own in reaching for a solution of German reunification and other problems to which the Russians hold the key.

Whatever comes of these pre-election gambits—and whether Adenauer or the Socialists win—the West is likely to see Bonn take an increasingly "independent" foreign policy line.

This week's Commonwealth Prime Ministers' Conference in London is as important for what wasn't said as for what was talked about. Less than a year after Suez, the multi-racial get-together of what was once the British Empire met with hardly a reference to what was billed last fall in Africa and Asia as a British "colonial adventure."

Frictions at the conference were more on the economic than the political level. Ghana's Prime Minister Nkrumah came for a showdown on whether the Commonwealth will finance his highly ambitious Volta River development project. India, in a balance of payments squeeze, came asking London for sterling credits. Canada's new Conservative Prime Minister Diefenbaker strongly pressured the British to exclude agricultural products from the proposed Free Trade area, by which Britain would attach itself to the Common Market.

These problems will probably be taken up in detail when a Commonwealth trade conference convenes, probably this fall in Ottawa.

Arab nations haven't had time to take a look at the Soviet navy this week as it "showed the flag" in the Eastern Mediterranean. Arab leaders have been too busy waging a diplomatic and subversion war against each other.

Saudi Arabia has withdrawn its ambassador from Syria because of the nasty things Syria's government-controlled press has been saying about King Saud. The possible loss of Saudi oil revenues spent in Syria has intensified the Syrian struggle between pro-Communists and moderates.

Meanwhile, Egyptian Pres. Nasser has opened up a propaganda offensive against the Palestinian refugees—a large portion of whom live in Jordan. All this has widened the cleavage in the Arab world—Egypt and Syria against pro-Western Saudi Arabia, Iraq, Jordan, and Lebanon.

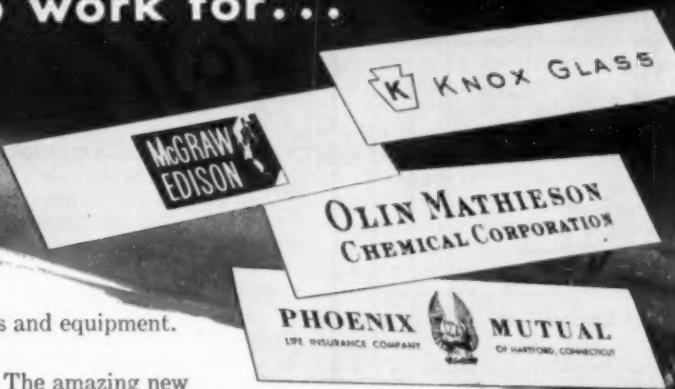
The battle between ENI—the Italian state-owned oil company—and Gulf Oil Corp.'s Italian affiliate may be heading for a climax.

Earlier this year ENI helped force Gulf to withdraw from Continental Italy and concentrate on Sicily. Now ENI is closing in on Sicily. It has acquired sizable leases, offered the semi-autonomous Sicilian government royalties on a better than 50-50 basis, promised to build a refinery and chemical complex. Observers see ENI's move as a determined effort to shove Gulf out of Italy altogether.

AUTOMATION PUTS
ATOMS TO WORK



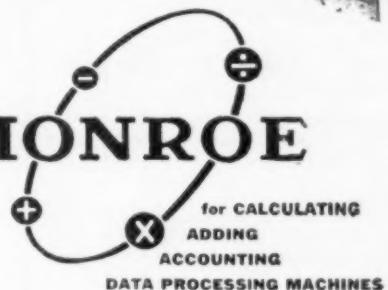
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Education			
General Education Development.....	5	5	4
Level of ratings 1 (lowest) through 7 (highest)			
Specific Vocational Training.....	7	7	7
Length of Education 1 (shortest) through 9 (longest)			
Aptitudes			
Scale of aptitudes 1 (highest) through 5 (lowest)			
Intelligence.....	3	3	3
Verbal.....	3	3	3
Numerical.....	3	3	3
Spatial.....	2	2	2
Form.....	2	2	3
Clerical.....	4	4	4
Motor coordination.....	3	3	3
Finger dexterity.....	3	3	3
Manual dexterity.....	2	3	2
Eye-hand-foot coordination.....	5	4	5
Color discrimination.....	5	3	5
Temperaments			
Variety and change.....	•	•	
Repetitive, short cycle.....			
Under specific instructions.....			
Direction, control, planning.....			
Dealing with people.....			
Isolation.....			
Influencing people.....			
Performing under stress.....			
Sensory or judgmental criteria.....		•	
Measurable or verifiable criteria.....			
Feelings, ideas, facts.....	•	•	•
Set limits, tolerances or standards.....			
Interests			
Things and objects.....			
Business contact.....			
Routine concrete.....			
Social welfare.....			
Prestige.....			
People, ideas.....			
Scientific, technical.....			
Abstract, creative.....			
Nonsocial.....	•	•	•
Tangible, productive satisfaction.....	•	•	•
Physical Capacities			
Strength: (medium).....	•	•	•
Climbing-balancing.....	•	•	
Stooping-kneeling.....	•	•	
Reaching-handling.....	•	•	•
Talking-hearing.....	•	•	•
Seeing.....	•	•	•
Working Conditions			
Inside-outside: (inside).....	•	•	•
Cold.....			
Heat.....			
Wet-humid.....			
Noise-vibration.....			
Hazards.....	•	•	
Fumes, odors, etc.		•	

New Classification

Looking for a machinist? Try a shop carpenter or a wood turner.

These jobs share a "common profile" according to the new United States Employment Service classification system. A worker with the experience, skills and temperament for any one job in a series of matching profiles should be able to fill any other with a minimum of retraining.

THE FORM on the left is designed to take much of the hit-or-miss out of matching job and worker. By running these punched, coded "profiles" through an IBM machine, an employer can quickly spot the best candidates for a new or better job. In many cases, he will be surprised to find that many of the best bets are men who have had no experience in the job he wants to fill.

Developed by the United States Employment Service (USES), the system is expected to be one answer to the shortage of skilled workers, and may help break up areas of chronic unemployment. The device will aid employers who have to fill jobs with workers whose experience isn't precisely what the job requires. And in times or areas of labor surplus, the technique can be used to place workers in the jobs that are open by mating up worker profiles with job profiles.

• **Two Schools**—Although the new system went into operation only this week, it has already stirred up controversy. Some sociologists see it as another step toward a "classified society." They point out that not only skills but such things as attitudes, temperament, and interests are classified. Once "typed," these critics say, the worker's life will be ruled by a filing and sorting machine.

But a sociologist of another school sees the new procedures as a "fairly intelligent adaptation to the present labor market with its new people, new mobility."

• **Handbook Guide**—The basic ingredient for the Bureau of Employment Security job-worker profiling system is a new handbook, Estimates of Worker Trait Requirements. For the first time, the aptitudes, experience, temperaments, and kinds of skills needed for each of 4,000 jobs are broken down and coded. The book also provides a key for profiling a worker by his skills and

traits, so that he can be fitted into a job, he might not otherwise think he is qualified for.

• **More to Come**—Labor Dept. officials—and managements of some of the nation's largest companies—believe that the new profiling system eventually will eliminate much of the hit-or-miss of hiring. As they see it, hundreds of thousands of workers coming into the work force each year will be rated under the new system—either by employers or by USES. In a few years, personnel experts figure, a majority of the country's workers will be classified under this system. As a result, it will be much easier to hire, and much easier for the worker to move either from plant to plant or up the employment scale.

Some experts question the personnel men's optimism. One sees the new classification procedures as part of the "current fashion for rationalization of employment, recruitment, and placement practices." Another believes that the whole business of placement-personality testing is "less effective than commonly assumed." He sees a margin of error upsetting the configuration of worker to job profiles, especially in the estimates of personality traits as related to any given job.

The profiling system is now being put into effect at 1,700 USES offices, and is expected to be used on all new applicants by the end of the year. Although the handbook is just off the press, the first 3,000 copies were a sell-out, and more are being printed. (Write: Supt. of Documents, Washington 25, D. C.; \$2.25 per copy.)

I. How It Works

The 4,000 jobs analyzed are the most common jobs in business today. Eventually, the Labor Dept. will have similar breakdowns for all 23,500 jobs listed

System Matches Job to Worker

in the universally used Dictionary of Occupational Titles.

For each of the 4,000 jobs, you get a six-category profile:

Education: How much education and how long it takes to train a fully qualified worker.

Aptitudes: Intelligence, numerical facility, motor coordination, and the like, by the degree of aptitude needed.

Temperaments: Requirements according to need in dealing with people, performing under stress, ability to take instructions, ability to direct and control.

Interests: Prestige involved, scientific or technical bents.

Physical capacities: Ratings on strength, stooping, talking-hearing.

Working conditions: Inside or outside, cold-wet-humid, noise levels, hazards.

• **"Common Profile"**—By providing these data for the requirements of a variety of jobs, the Labor Dept. hopes to establish fundamental reference points for relating the qualifications of workers. During the 20 years the idea has been in the works, Labor Dept. experts have been able to group together jobs and skills under a "common profile"—that is, jobs that upon close analysis are found to be highly similar in their requirements of a worker, even though they are from different industries.

For example, suppose you need 10 machinists, and it turns out that there just aren't that many fully qualified men available in your area. With a copy of the new handbook, you can run a check to turn up other kinds of skills that come close to supplying what is needed to fill your jobs.

If you go to USES, it will run a check of the worker pool to see how many it can turn up with aptitudes and skills allied to what is required of a machinist.

• **For Example**—Here's how a machinist checks out under the system:

- Training: Should have four years of training or experience.

- Education: Should be in the "middle range."

- Temperament: Should be adaptable to variety and change, able to work to close tolerances.

- Interests: Should be more interested in machines and how to do it than in people and social situations.

- Physical capacity: Should be medium strong, able to reach, kneel, stoop, etc.

- Working conditions: Should be able to take noise and vibrations and to face hazards.

From these precise requirements, you might figure that only a machinist could

handle the job. But you would be wrong.

A perusal of the handbook may show that your best prospect is someone who at first glance wouldn't seem to fit at all. For instance, a woodworking machine operator and a shop carpenter are trainable in a relatively short time. A boiler shop mechanic also checks out very closely; so does a diesel engine erector.

Similarly, an insurance company looking for a policy register clerk can find the skills it needs in a bank's registered mail clerk, a government fingerprint clerk, or a shipment marker in any kind of a plant.

II. New Outlook for Hiring

In the past, much of the emphasis in hiring—in private industry and elsewhere—has been on job experience. The new approach takes into account a worker's personality and whether his interests show him to be the right person for a given job.

This can now be done on a mass-production basis. The one-shot program of personal interview and aptitude tests will still be used, but it will be dovetailed into the new over-all program.

"We'll be giving custom service rather than shot-gun service to both the worker and the employer," says Sidney A. Fine, the Bureau of Employment Security's director of the new program. "We will be able to make available to a worker all the jobs for which he can qualify, and offer the employer all the workers who can qualify."

• **Importance**—Apart from providing a better and more complete employment service, the plan is important for other reasons:

- In the growing demand for high-skilled employees, the more intricate analysis of the worker and the job will help detect those workers who can move into more responsible jobs. It will show just what demands the job makes.

- Retraining possibilities will show up more clearly. This will become more and more important as factories switch to automation, and machines replace many skilled workers.

- It will eliminate some of the wasted manpower that comes with changing employment because the worker and the job weren't well matched.

III. Classifying the Worker

With the jobs classified, the job experts' next job is to classify the job seekers who come into the U.S. employment offices. These offices fill an aver-

age of 6-million jobs a year. While all who sign up for employment will not be rated, the plan is to be used where there is some placement difficulty.

"We never make problems," says Fine. "If a waitress comes in for a job and says she always wants to be a waitress, we're not going to change her mind." The help will go mainly to those just entering the labor market and to those uncertain about their future. However, the prospective employee won't be stretched out on the psychiatrist's couch. The government job experts make a distinct point of describing everything in terms of job situations.

• **Individuals Still**—Robert K. Goodwin, chief of the Bureau of Employment Security and director of the employment service, points out, however, that the approach to employees will still be an individual matter. "We're not going to put them into compartments," he says. "This new system will help point up their differences so we'll know better where they belong."

For instance, with all the personality factors at hand, the employment service expects to be able to uncover more easily the distinctions among similar appearing workers. Two garment workers—one in women's dresses and another in men's suits—are entirely different people who have distinct reactions to job prestige, skills required, and so on. The jobs aren't interchangeable. Less obvious examples can now be detected.

The six traits and subsequent breakdown have taken since 1950 to develop. Under Fine, 10 analysts were selected first to study and then independently to pick the trait subdivisions for the 4,000 jobs. Doing the same for the employee was different and more difficult. It entailed working out a series of specific personality traits coded on a single form and applicable to all workers and all jobs. According to Fine, "Personality checks are only made where there is absolute evidence. If it is doubtful, we don't put anything down." A two-year test period brought out a definite pattern.

IV. Gain for Management

It's no secret that employers have often been dissatisfied with applicants referred by USES. "One of the biggest kicks from employers," Fine says, "is that we're not sending them the people they want. They're not the type or don't have the right experience."

That is one reason the uncompleted program is being put into effect now. As a starter, the better services are expected to help:

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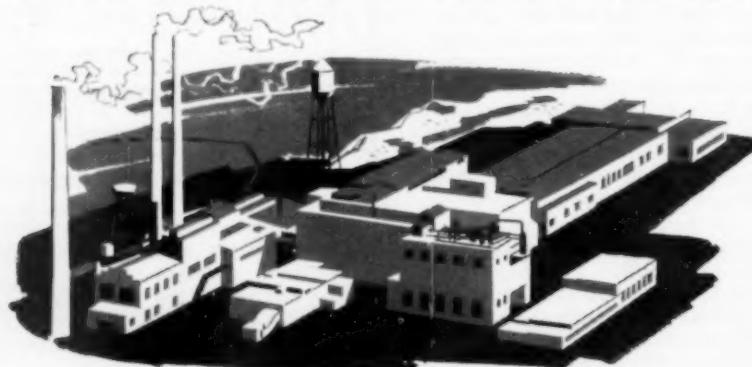


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"... fears that system will pigeon-hole workers for lifetime are unfounded, experts say . . ."

STORY starts on p. 144

- Employers who emphasize promotion within a company or a plant. By determining a worker's characteristics, the employment office can say better whether an employee can be promoted after a period, and into what jobs.

- Expanding companies that want to open a plant in a new area. By rating jobs—and the available work force in that specific territory—the employment service can advise management on the best location. It can also determine the worker characteristics in depressed areas and show an employer what kind of work force is available.

- An employer who has a job available that offers more for the future. By its rating method, the employment service can determine the job potential as well as the potential of the employee.

With this new method, the matching should be considerably improved. Not only will the worker and the job be better understood, but there will be additional job seekers who might fit the position, but who have been looking in an entirely different field, or who didn't realize they were qualified.

V. The Goal

This week, state employment offices undertook a five-day briefing on how to use the new system. They, in turn, will educate employees in the 1,700 local offices of the service.

Meanwhile, Fine's staff is working on additional profiles of groups of jobs, and the returns already are turning up some surprises. Some 400 jobs in a "handling things" category show similar traits—such as like interests, short-cycle performance, with only the physical characteristics varying to any degree.

Jobs considered technically interchangeable include a scoopman in bituminous coal, a construction flagman, a lobster fisherman. A clam fisherman, on the other hand, fits into a different category with different demands.

Fears that the new procedures will pigeon-hole a worker for a lifetime are unfounded, the new profiling experts say. When the project is completed, several years from now, the matching of men and jobs still won't be automatic. Employment experts say the job and worker will still be considered individually, but the new system will help bring out the basic characteristics of each and will result in a closer matching of job requirements and abilities. **END**

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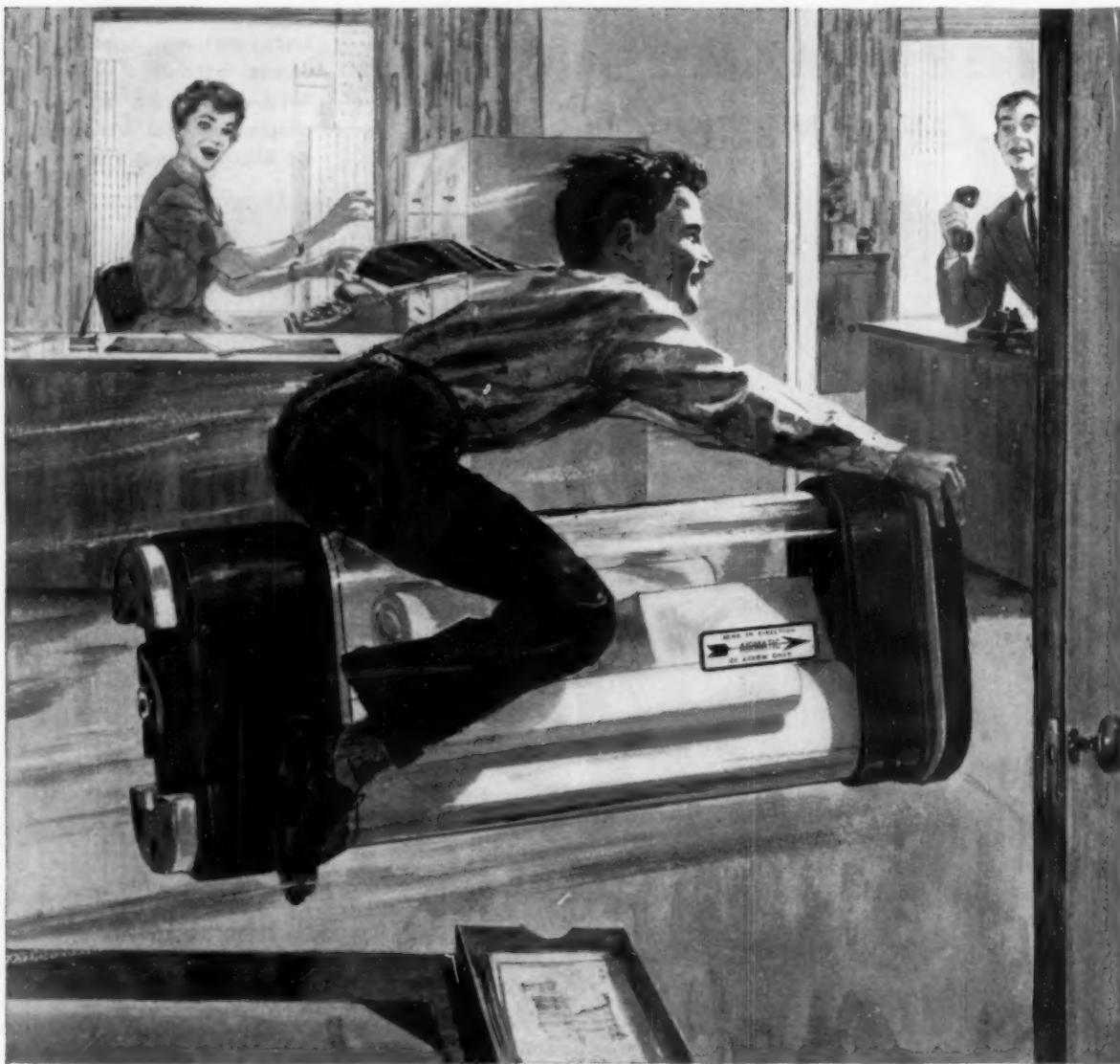
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New AFL-CIO Racket Drive

George Meany orders action against mob-run locals that prey on Puerto Rican workers in small New York shops.

The AFL-CIO this week opened another front in its war against labor racketeering. Its target: racket strongholds in the small-shop industries of New York City, particularly the shake-down of a predominantly Puerto Rican work force and of small businessmen.

Labor racketeers have moved into the marginal industries of the city which are heavy employers of Puerto Rican labor. The employer buys "labor protection" in the form of a "black and white contract"—a contract that provides no wage clauses above the legal minimum nor any fringe benefits.

On the "milk date," the day the contract expires, the employer is visited by a union representative who exacts a fee for renewal of the agreement. The contract usually provides for a check-off. Employees pay initiation fees ranging from \$12 to \$35, as well as monthly dues, usually \$4.

• **Breaking It Up**—Recommendations that a "direct route be taken to eradicate racket unions" and that the AFL-CIO "bring to Puerto Ricans legitimate unions to represent them" were made to AFL-CIO Pres. George Meany by his assistant, Peter McGavin.

McGavin was sent to New York to investigate charges that Puerto Rican workers are being exploited by racket-controlled unions.

What McGavin heard and saw was enough to win top priority attention from Meany. The AFL-CIO president, insiders say, has O.K.'d plans for an "all-out" drive on racket-held shops. The plans are shaped around the success some local unions have had in routing racketeers by calling a strike when confronted by a back-door agreement.

• **Abuses**—Here is why AFL-CIO decided to act:

• Expulsion of racket unions hasn't worked. Some of their locals in New York City have either crept under the Teamsters' umbrella or simply gone independent. In either case, they have continued to operate unhampered.

• Top AFL-CIO officials want to see a start made on a cleanup record before the McClellan Committee gets to New York this summer. Old-fashioned organizing militancy is needed, they say, to offset further revelations by the Senate investigators.

• Local union officials feel that the drive is "long overdue." Says one leader with 66 years in the labor movement: "Labor should give racketeers the Scotch verdict—hang 'em first, con-

vict 'em later." His local, changed over the years, now has a majority Puerto Rican membership. Increasingly, whenever the local enters an organizing situation, he finds, small employers pull out of a racket-union contract already signed.

• Puerto Rican workers are becoming more conscious of their power and more demanding of their rights as union members. In many New York local unions, recent migrants from Puerto Rico make up 75% or more of the membership. On the bottom rung of the economic ladder, the Puerto Rican worker, with an average weekly wage of \$41 to \$47 a week, wants to move up. Many resent what they consider a failure by the unions to advance their economic interests.

• **Easy Prey**—Underlying the present difficulties are growing ethnic tensions between the old-time labor leadership and Puerto Ricans. They are easy prey for the extortion unionists. Unable to speak or understand more than a few words of English, large numbers of Puerto Rican workers are employed in marginal shops in the novelty, toy, textile, leather goods, plastic, costume jewelry, and electrical parts industries—fertile fields for the shakedown operator.

About half of the 230,000 Puerto Rican work force is in legitimate unions—women in the ladies' garment trades and men in hotel and restaurant work. But an estimated 25,000 more are being exploited by union racketeers. Most of the rest remain unorganized, a sizable potential for either legitimate or illegitimate union operation.

"There are local unions," says Norman DeWeaver, executive secretary of the Assn. of Catholic Trade Unionists (ACTU) of New York, "that have never held a meeting in six years. None of the officers of these unions have ever worked in the industries they have organized."

"Characteristically," says DeWeaver, whose organization has aided Puerto Ricans ensnared by racket unions, "not all workers pay dues, dues books contain no ledger number and check-off cards are rarely signed, although dues are deducted. We have had workers come to us who have had dues deducted twice in one month."

• **Profitable Business**—This kind of unionism is profitable enough for one organization to run a "contest" for its members offering a flat \$10 per member for each new member recruited,



PUERTO RICANS in New York City know the score now, and they are pressing for representation by legitimate unions to advance their economic interests.



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• **Accused Unions—Exploitation** of Puerto Rican workers in New York City isn't limited to independent unions or to unions that have been expelled from the AFL-CIO.

At the request of Spanish-speaking workers, ACTU lawyers have filed de-authorization petitions with NLRB against several AFL-CIO affiliates, including locals of the Bakery & Confectionery Workers Union; International Brotherhood of Carpenters & Joiners; Distillery, Rectifying & Wine Workers; Doll & Toy Workers; International Jewelry Workers; Pulp, Sulphite & Paper Mill Workers; United Textile Workers, and the Retail Clerks International Assn.

• **Workers Rebel**—The problem simmered beneath the surface of the New York labor scene until Puerto Ricans began to take things into their own hands a year or so ago. A revolt began when employees of Morgan's Leather Goods and Rudee's Leather Goods formed a workers' organizing committee and petitioned NLRB for a representation election on the expiration of a contract between the employers and Local 1648, Retail Clerks International Assn.

The employers and David Lustigman, union secretary-treasurer—who, along with his fellow local officers, has since been convicted of extortion and sentenced to three years in Atlanta—called the workers together and told them to pay dues to Local 1648 or be fired. They refused. Police were called, and the employees forced to vacate the shop.

The workers went on strike to back up their representation demand. The strike lasted through the fall of 1956. It finally evaporated, but not before it had gotten a big play in the Spanish-language press. The number of cases coming to ACTU for assistance multiplied rapidly.

• **Something Gets Done**—El Diario, a Spanish-language tabloid, repeatedly editorialized for a right-to-work law, to protect Puerto Rican workers from racketeering by unions. Alarmed by such loss of prestige in the Puerto Rican community, New York's AFL-CIO leaders began to look for way out.

Prodded by Harry Van Arsdale, manager of IBEW Local 3, the AFL Central Trades and the city CIO Council formed a joint committee to investigate the exploitation of Puerto Rican workers. At the request of this committee, Meany sent trouble-shooter McGavin into New York. **END**



Photo courtesy of Boeing Airplane Company.

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ANOTHER GIANT. This huge machine is one of Tube Turns' battery of upsetters — the largest in the world. Its speed and capacity make possible record-breaking production of top-quality forgings.

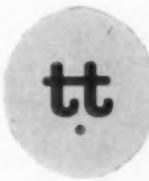


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TECHNICAL PAPERS FOR INDUSTRY

Stalled Drives

Two unions that seek to organize white-collarites convene in frustration. Teamsters scandal gets part of blame.

For years, unions have talked about organizing the nation's white-collar workers—the multi-million reservoir of employees still virtually untapped by organized labor. The talk of "a big drive" is still heard, but conventions of two key unions admitted this month that prospects aren't at all bright.

The Office Employees' International Union (AFL-CIO) convened in Minneapolis in an aura of frustration, plagued by old problems and complaining bitterly of a new one—"Beckism," or the retarding effects of the Teamsters scandal on the normal activities of all labor.

The independent Engineers & Scientists of America, meeting in Los Angeles, also convened in a spirit of frustration and growing uncertainty. Officers acknowledged that ESA is beset by a mounting employer offensive against the unionization of engineers and threatened by internal differences.

* **Consolidation**—Whatever the reasons, both unions quietly decided to sit tight for the present on organizing; their attention will be devoted to consolidating gains already made.

Neither union is a really significant factor now on the industrial scene. Their importance is more potential than actual in the broad areas of their jurisdictions.

The Office Employees, for instance, has about 50,000 members in a field of 8-million to 10-million office and clerical employees, including about 2-million in banks and insurance houses. That is nearly double the membership a decade ago, but the growth has been at a snail's pace considering the great potential.

Some 200 delegates attended the Minneapolis meetings, listened to the same speeches they had heard many times before on the union's tremendous potential—and the need to organize white-collarites—and reelected Howard A. Coughlin and an administration slate to carry on the union program.

Significantly, though, this program for 1957-58 merely marks time on organizing work. The union noted that "the unorganized white-collar worker is a most difficult group to organize under the best of conditions," and then complained that "due to the recent Senate investigations, the task would be even more difficult at this time."

* **Jurisdictional Trouble**—The stress on the new problem of "Beckism" tended

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to obscure another very real problem—jurisdictional strife—which has checked plans for a highly touted AFL-CIO white-collar drive (BW—May 12 '56, p169). The OEIU hasn't the money for a big organizing campaign on its own. The union has spent 63% of its slim income, or something like \$250,000 a year, for organizing in recent years, and it can't go beyond that; its net worth amounts to only \$230,000, not the kind of financial resources that would cause a nonunion employer to lie awake worrying about an influx of organizers. To extend organizing work, the OEIU must have more money and manpower from AFL-CIO.

It can't get either under present circumstances. Federation rules provide that help can't be given for campaigns that involve rival union jurisdictions. OEIU claims for representation rights over office and clerical personnel conflict, particularly, with those of industrial unions. These claim white-collarites along with plant employees in their industries, the most fertile fields for office organizers.

- **Shrinkage**—The Engineers & Scientists of America has other problems, but they are just as troublesome. Organized in 1952 by 13 independent unions, slow gains carried it to a peak representation of 40,000 salaried engineers in industry—about half of them dues-paying members—from among a total 500,000. Since then it has grown progressively weaker. The roll-call at the recent convention indicated that ESA now represents 20,000.

The losses are in large part due to a dispute over whether ESA should include only graduate engineers and scientists or also nonprofessional workers such as laboratory technicians. A number of large and essentially "mixed" chapters have dropped out, criticizing ESA for what they say is a trend away from collective bargaining functions and toward a changed status as "merely a professional society."

- **Prestige Activities**—The defections left "purists" or professional engineers in firmer control. Joseph Amann, who has headed ESA from its founding, indicated that even more attention will be paid in the future to "prestige" activities. He explained the change in this way:

"Engineers are not really big, fat, and happy—but they think they are, and the result is the same. It is apparent that engineers, when they are reasonably well fed, clad, and housed, are not disposed to improve their economic status further through collective bargaining."

Hence, in the opinion of Amann and the purists, the only hope for engineering unionism now lies in greater emphasis on professionalism, less on more traditional trade unionism. **END**



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In Labor

Cost of Living: What's Happening to It

Total Cost of Living	1947-49 = 100			
	Food	Clothing	Housing	Total
May, 1949	101.8	100.2	100.0	102.8
May, 1950	101.3	98.9	96.5	104.7
May, 1951	110.9	112.6	106.6	112.2
May, 1952	113.0	114.3	105.8	114.0
May, 1953	114.0	112.1	104.7	117.1
May, 1954	115.0	113.3	104.2	118.9
May, 1955	114.2	111.1	103.3	119.4
May, 1956	115.4	111.0	104.8	120.9
June	116.2	113.2	104.8	121.4
July	117.0	114.8	105.3	121.8
August	116.8	113.1	105.5	122.2
September	117.1	113.1	106.5	122.5
October	117.7	113.1	106.8	122.8
November	117.8	112.9	107.0	123.0
December	118.0	112.9	107.0	123.5
January, 1957	118.2	112.8	106.4	123.8
February	118.7	113.6	106.1	124.5
March	118.9	113.2	106.8	124.9
April	119.3	113.8	106.5	125.2
May, 1957	119.6	114.6	106.5	125.2

Data: Dept. of Labor, Bureau of Labor Statistics.

BUSINESS WEEK

Ninth Straight C-of-L Rise

Boosts Wages of Factory Workers

The Labor Dept.'s consumer price index rose in mid-May for the ninth straight month, to 119.6% of 1947-49 average prices. The rise from 119.3% in April (BW-May 25 '57, p160) means pay increases for almost a million workers.

Some 750,000 under United Steelworkers contracts in basic steel, aluminum, iron mining, and container industries will get a semiannual c-of-l adjustment of 4¢ an hour, and an estimated 115,000 employed in meat packing will get 3¢. Another 100,000 in the aircraft industry will have 1¢ or 2¢ added to their pay in quarterly wage adjustments.

Since USW contracts also provide for an automatic hike in wages on July 1, those covered will receive an average 14.4¢ more effective then. Three-year contracts negotiated in mid-1956 provide for a 7¢ increase in the USW base rate now, plus 0.2¢ more in the increments between job classifications. The deferred raises plus new "fringes"—including the start of Sunday premium pay—average out at 10.4¢ an hour.

The semiannual 4¢ "escalator" adjustment is on top of this automatic raise, and brings the total c-of-l allowance for steelworkers during 1957 to 7¢ an hour.

Steel producers are expected to boost prices on the heels of the new jump in labor costs (BW-Jun. 15 '57, p50). If they do, new pressures will be built up under the government's rising index.

The mid-May rise to 119.6% (bringing the index 3.6% higher than a year ago) was largely due to another sharp increase in food costs, to 114.6% of the 1947-49 average. This was a seasonal gain. Apparel costs held steady. Housing and rent factors showed only slight increases.

Another increase is expected in the mid-June index,

due late next month. However, government economists expect the index to level off in July, possibly decline in August.

Dubinsky Clamps Down on ILGWU Aide

Who Got a Job in Trade Group

An employer who has just lost one of his top notch management people to a rival company may wish he had the power of the International Ladies' Garment Workers' Union Pres. David Dubinsky.

Confronted recently with a situation that many employers will recognize—an ILGWU employee had arranged to leave the union to go to work for an employers' association—Dubinsky instructed local unions to stop dealing with the association if and when the ILGWU employee joined the association staff.

"With him it was the union one day, the employer the next," said Dubinsky, although the employee had been with the union for seven years. "We can't permit that. The union is not a training ground for employers. . . . It would have a bad effect on the morale and spirit of our organization."

The employers' association withdrew its job offer and after cooling his heels for a short period at the union office, the ILGWU employee was reinstated at his old job.

The employers' association finally hired a man who is a former staff employee of ILGWU.

• • •

CWA Chief Downs Rival Handily

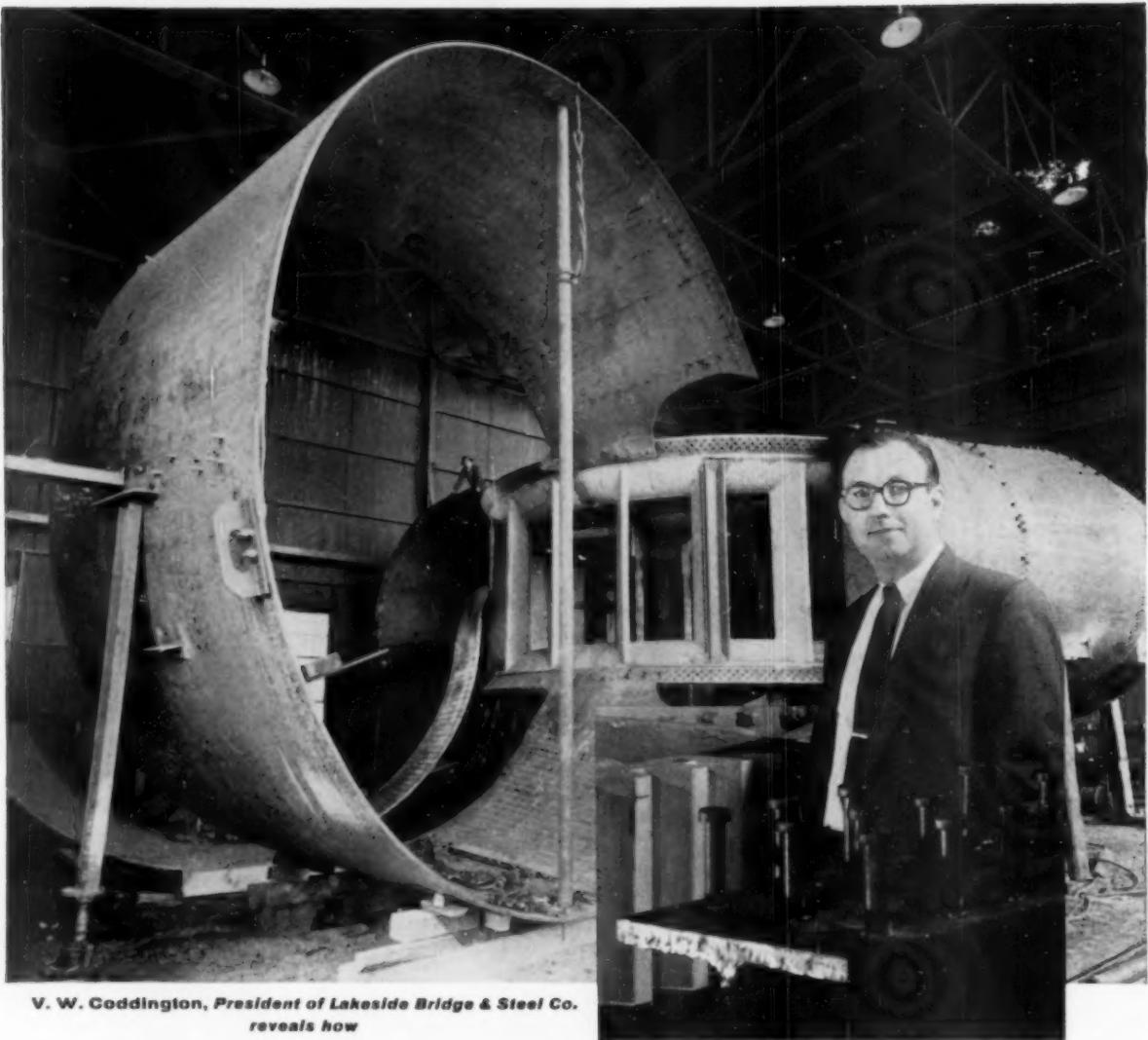
In Latest Test of Union Brass

Challenged for the presidency of the Communications Workers for the first time since his election in 1943, Joseph A. Beirne won 173,077 to 83,937 last week over A. T. Jones, a vice-president and administration critic.

The contest at the union's Kansas City convention is widely interpreted as another sign that labor officials are more vulnerable to rivals now than they have been for years. David J. McDonald of the United Steelworkers ran into trouble defeating a rank-and-filer earlier this year, and a number of other union executives have suffered setbacks on policies and programs recommended to members.

The Beirne-Jones race climaxed a four-year rivalry, brought out into the open by a dispute over the policy to be taken in the case of a local leader who lost his regular job after he was charged with membership in an organization listed as subversive. Beirne said the discharge should be arbitrable under union grievance rules; Jones protested that this would "protect" a man who, he charged, has been listed as a Communist sympathizer.

The Beirne-Jones dispute released a pent-up factionalism in the union. Before it settles down, it might plague the union in its relations with hard-bargaining telephone companies and its jurisdictional field—where it is challenged from within AFL-CIO and by independents on the outside.



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THE MARKETS

Wall St. Talks . . .

. . . about prospects on borrowing costs . . . cigarette profits . . . two new "worries" . . . copper dividend rates.

No early easing of borrowing costs is expected by most corporate officials, according to Streeters, who base the opinion on lessening resistance to the going rates and an increasing willingness of sweeten new offerings to attract lenders. Southern Bell T&T is cited as the prime example. In the 1953 tight-money period, it rejected a borrowing cost of 3.79% bid on a new offering, then sat out the squeeze. But recently, it not only agreed to pay 4.91% for new money—a post-1929 high—but also made the bonds non-callable for five years.

Pennies mount up: Standard & Poor's calculates that the latest cigarette price increase could mean, "under the most favorable circumstances," these annual profit increases per common share: American Tobacco \$2.65; Liggett & Myers \$1.55; R. J. Reynolds \$1; Philip Morris \$1; P. Lorillard 70¢.

Two new, disturbing factors in the longer-term business outlook are seen by some analysts: (1) Improved chances for real disarmament moves (BW—Jun. 1'57, p33); (2) firm governmental steps to control and cut armament spending, and to force production of better materiel at lower cost (BW—Jun. 15'57, p43). Both would have at least temporary unfavorable connotations, disarmament by reducing the level of general business activity, the other by cutting into corporate earnings.

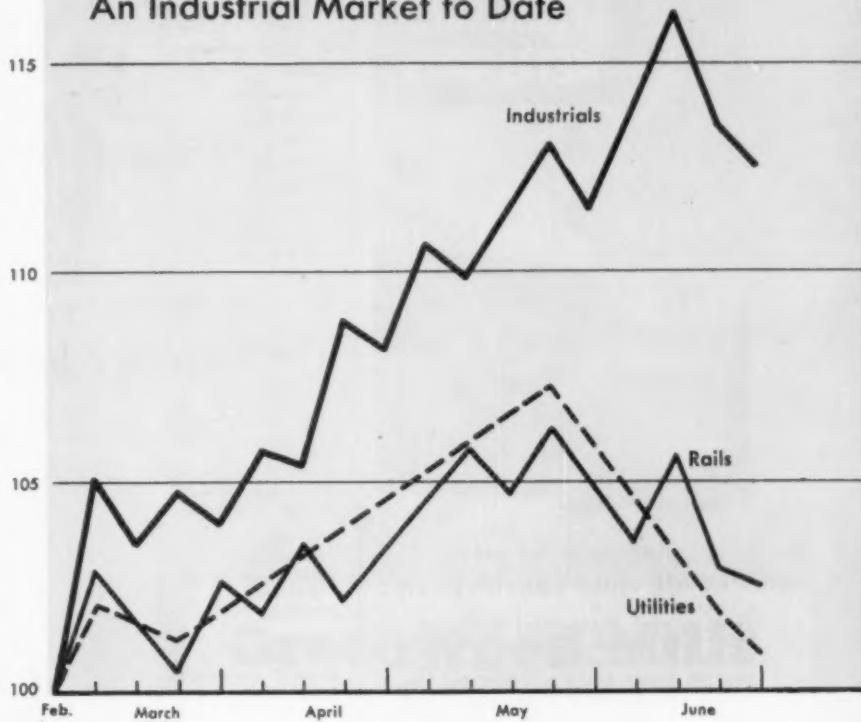
Some Streeters are suggesting switches out of Anaconda and Kennecott Copper shares, even though they are selling some 25% below their bull market highs. The idea is that dividend rates of both companies are vulnerable, with the drastic slide in copper prices due to take a big bite out of 1957 profits.

Rumors of stock splits are still potent in the market, but . . . last week, Eastman Kodak common shot up to \$115, topping its May low by 22%, after a split rumor; Minneapolis-Honeywell also went to \$115, or 25% above the low. But these days only the very nimble can cash in on such jumps. By early this week, Eastman Kodak had lost 57% of its gain, M-H just about half.

February 1957 Low = 100
120

The Recent Rally:

An Industrial Market to Date



Data: Standard & Poor's Daily Stock Price Indexes.

The Stress Is on Caution

The late June market is not bullish, but neither do the bears have cause to cheer.

YOU CAN SEE in the chart that the closing days of June—at least up to midweek—have been a long way from bullish for stocks in general.

Indeed, last week was just about the "losingest" that the Big Board has suffered since mid-January. Of the 1,401 individual issues traded during the week, close to three-quarters were losers. What's worse, 27% of the big mass of losers fell to new lows for 1957.

When this week started, there were signs that it would turn out just as sadly for the bulls as had the previous seven days. For most of Monday, across-the-board weakness continued. And at the closing gong, 689 issues had fallen off, out of 1,169 traded during the day—with 119 hitting new lows for the year. Only 244 issues showed gains.

• Turnabout—But Tuesday brought a

switch, with traders and investors returning to the buying side, drawn no doubt by the relatively low prices produced by the previous selling. Their buy orders didn't develop any particularly heavy volume, but they soon had the averages moving up again; by the end of the day their pressure had wiped out nearly all the losses recorded by most market yardsticks on Monday.

The militant bulls, of course, immediately clarified that Tuesday's comeback had marked the official end of the earlier spell of weakness. But Wednesday's trading did little to support their claim. It's true that prices tried hard to rally, but all their efforts were stymied by a sudden resumption of profit-taking, which ended up by taking a toll from many issues.

All this left very little rampant bullishness by midweek among the Street crystal gazers. Most of them seemed ready to write off Tuesday's dramatic strength as "normal rebound" from a period of weakness rather than an iron-

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57-SS-2

bound pledge that the February-June rally was about to start on another profitable upward leg.

• **Caution the Key**—This doesn't mean that the Street, on balance, was at all bearish. Probably cautious would be a better way to describe the general attitude.

There was no sudden change in business news or prospects to change the attitudes of investors. In fact, the principal economic trends bearing on the market have been in evidence for months and have been continuously surveyed by Wall Street observers. These are the general sideways movement of production over the last six months and the continuing pressure of tight money. In addition, there are the market's own internal forces—chiefly the fact that prices have been going up

more or less steadily since February and the market might be expected to need time to gain new strength.

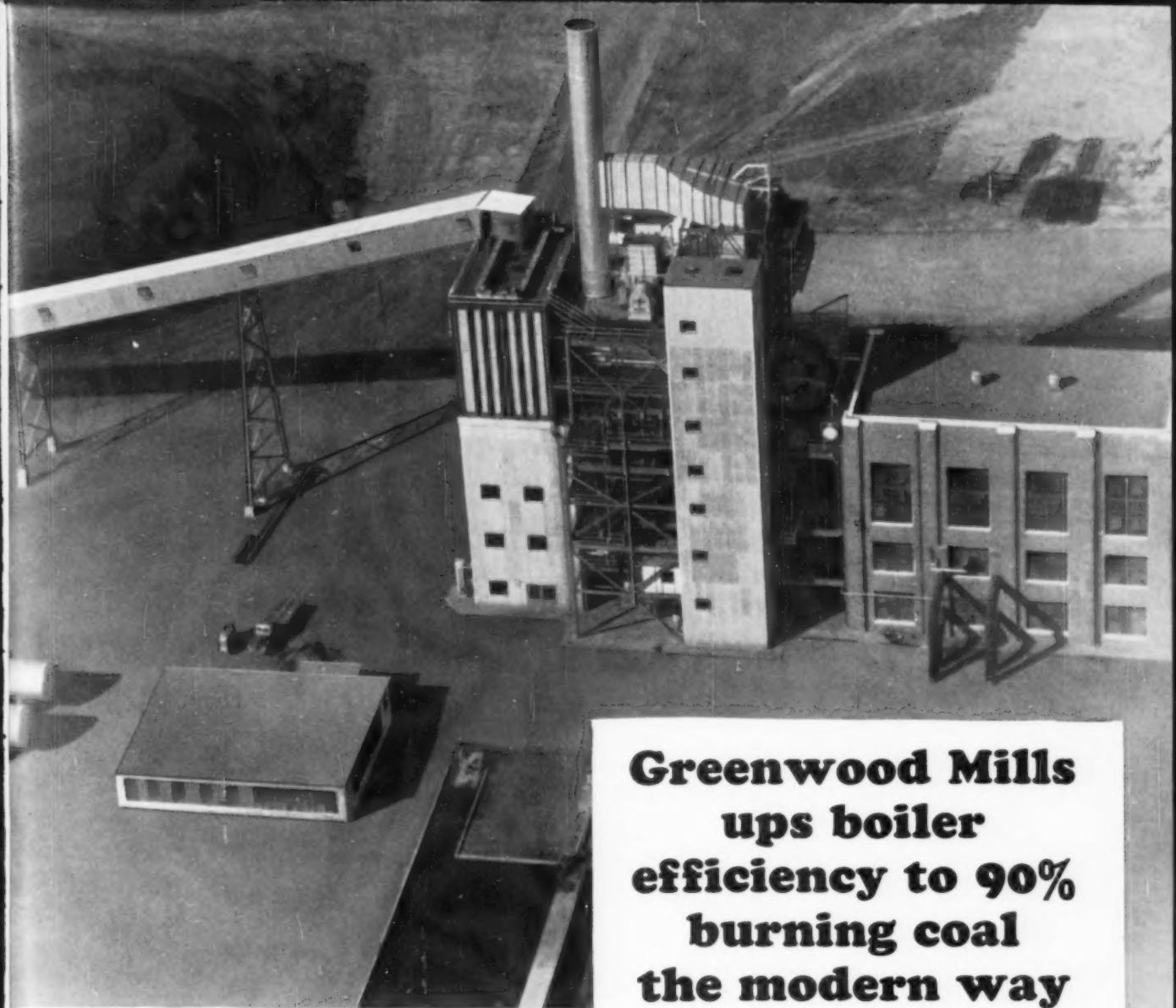
The opinions of the pros reflected this caution:

Standard & Poor's Corp. suggests that "reserve buying power should be kept intact at this stage" since "the drag of lower bond prices . . . is a handicap to the . . . market at these levels, and the inflation urge could lessen in intensity."

Moody's thinks also that "it is certainly possible that we shall see a summer market reaction" that "could develop anytime, now or after a further rise." After all, "in addition to lower business, second quarter earnings will show up as rather less satisfactory than those of the first quarter." And "these things may well hold sentiment back."

The February-June Rally: Latest Box Score

Stock Group	1956	Feb. '57	Recent	Recent Level vs.	
	High	Low	Level	1956 High	Feb. '57 Low
Office, business equipment	121.90	113.90	148.38	+21.7%	+30.3%
Drugs	24.46	22.13	28.61	+17.0	+29.3
Oil-international companies	85.78	74.16	94.40	+10.0	+27.3
Electrical equipment	54.01	45.79	57.49	+6.4	+25.6
Oil-crude producers	161.20	142.10	178.27	+10.6	+25.5
Aluminum	179.00	120.90	142.49	-20.4	+17.9
Tires, rubber goods	137.60	121.60	139.21	+1.2	+14.5
Oil-integrated domestic co's	71.43	59.94	67.99	-4.8	+13.4
Chemicals	52.30	40.62	45.82	-12.4	+12.8
Motion pictures	31.98	27.89	31.42	-1.8	+12.7
Mining, smelting	43.81	38.49	43.26	-1.3	+12.4
Food chains	38.58	34.47	38.67	+0.2	+12.2
Radio-TV manufacturers	68.02	45.82	51.22	-24.7	+11.8
Metal fabricating	60.18	48.19	53.57	-11.0	+11.2
Machinery-industrial	68.93	57.76	63.81	-7.4	+10.5
Finance companies	44.80	40.46	44.54	-0.6	+10.1
Steel	74.74	62.60	68.90	-7.8	+10.1
Auto parts, accessories	34.70	30.64	33.55	-3.3	+9.5
Sulphur	42.20	34.68	37.52	-11.1	+8.2
Autos	60.04	49.59	53.49	-10.9	+7.9
Machinery-specialty	22.40	20.47	22.02	-1.7	+7.6
Soft drinks	15.12	12.31	13.24	-12.4	+7.6
Confectionery	19.20	17.35	18.54	-3.4	+6.9
Fertilizers	50.05	37.42	39.91	-20.3	+6.7
Rayon, acetate yarn	40.08	27.31	29.02	-27.6	+6.3
Distillers	54.40	49.81	52.97	-2.7	+6.3
Department stores	50.30	40.75	43.00	-14.5	+5.5
Building materials	68.53	57.79	60.98	-11.0	+5.5
Railroad equipment	22.63	20.54	21.63	-4.4	+5.3
Paper	189.40	141.00	147.52	-22.1	+4.6
Copper	43.65	31.70	32.92	-24.6	+3.8
Food companies	25.85	22.97	23.67	-8.4	+3.0
Textile weavers	27.59	21.36	22.00	-20.3	+3.0
Coal-bituminous	102.10	85.14	87.73	-14.1	+3.0
Machinery-construction	71.35	65.49	66.77	-6.4	+2.0
Sugar	20.86	22.04	22.48	+7.8	+2.0
Cigar makers	24.41	23.07	23.49	-3.8	+1.8
Soaps	32.08	26.05	26.48	-17.5	+1.7
Shoes	20.87	18.22	18.39	-11.9	+0.9
Agricultural machinery	22.35	20.86	20.85	-6.7
Machine tools	41.16	31.52	31.49	-23.5	-0.1
Cigarette manufacturers	15.44	14.18	14.14	-8.4	-0.3
Carpets, rugs	16.53	15.03	14.95	-9.6	-0.5
Shipbuilding	47.36	44.47	44.07	-6.9	-0.9
Vegetable oil	31.40	26.67	26.21	-16.5	-1.7
Se, 10e, \$1 chains	17.45	14.57	14.29	-18.1	-1.9
Shipping	45.51	43.65	42.71	-6.2	-2.2
Mail order, general chains	50.03	37.83	36.70	-26.6	-3.0
Auto trucks	35.90	31.50	29.82	-16.9	-5.3
Aircraft manufacturing	74.38	64.06	57.93	-22.1	-9.6
Air transport	33.15	24.91	22.41	-32.4	-10.0
Lead, zinc	15.80	12.23	10.84	-31.4	-11.4



Greenwood Mills ups boiler efficiency to 90% burning coal the modern way

Consult an engineering firm

Designing and building hundreds of heating and power installations a year, qualified engineering firms can bring you the latest knowledge of fuel costs and equipment. If you are planning the construction of new heating or power facilities—or the remodeling of an existing installation—one of these concerns will work closely with your own engineering department to effect substantial savings not only in efficiency but in fuel economy over the years.

facts you should know about coal

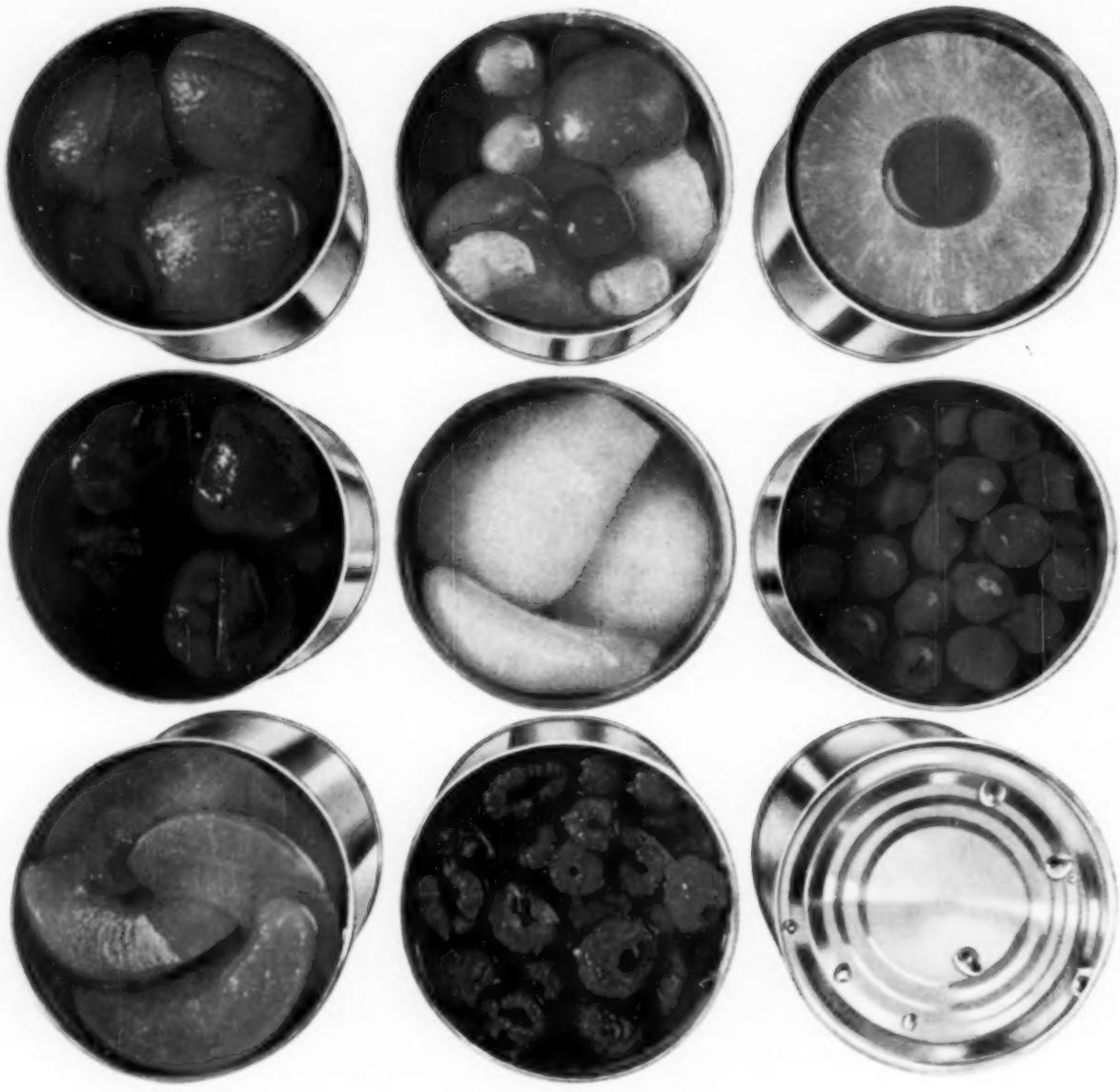
In most industrial areas, bituminous coal is the lowest-cost fuel available • Up-to-date coal burning equipment can give you 10% to 40% more steam per dollar • Automatic coal and ash handling systems can cut your labor cost to a minimum. Coal is the safest fuel to store and use • No smoke or dust problems when coal is burned with modern equipment • Between America's vast coal reserves and mechanized coal production methods, you can count on coal being plentiful and its price remaining stable.

When its original power plant could not keep up with growing steam demand, Greenwood Mills, Greenwood, S. C., studied the problem and decided to replace the old facilities.

Greenwood's engineering and construction departments, working with Consulting Engineer Frank Hill of Greenville, designed and built a completely modern power plant. It features a pressurized 300,000 lb./hr. boiler equipped with two cyclone furnaces burning $\frac{1}{4}$ " x 0" coal. Automatic throughout—from coal conveyors to pneumatic combustion control to hydraulic ash handling—the system is manned by a minimum of operators. Burning coal the modern way has resulted in a trouble-free boiler plant operating at a combustion efficiency of 90% or better.

For further information or additional case histories showing how other plants have saved money burning coal, write to the address below.

BITUMINOUS COAL INSTITUTE
Southern Building • Washington 5, D. C.



How Wheeling Steel helped tame the rebel fruit

Ummm, peaches. Ahhh, plums. We almost take these canned delicacies for granted. But it wasn't always so.

For most fruit contains a certain amount of acid. And mild though it is, the acid still played havoc with canning materials some years ago.

Then along came Wheeling Steel with a remarkable development — Ductillite tin plate.

Equally important, Wheeling developed new quality control measures which examine for imperfections as microscopic as 1/10,000 of an inch. Now, through the ingenuity of the nation's can

makers and packers, almost everything is readily available in cans — Ductillite cans.

It's a far cry from Wheeling's humble beginning some 105 years ago to the bustling, thriving enterprise of today. But the same pioneering spirit prevails—exploring new and better ways and products.

*The nation is growing and
Wheeling Steel is growing with it.
Bigger? Yes. But more important
... better.*

Wheeling Steel Corporation,
Wheeling, West Virginia.



IT'S WHEELING STEEL

PERSONAL BUSINESS

BUSINESS WEEK
JUNE 29, 1957



Tax men have been talking a good deal lately about the "loss sale" pitfall that, for some reason, some propertied people insist on slipping into—the sale between close family members, made at a loss to the seller, where seller thinks he's entitled to a full tax deduction covering his loss.

The fact is, in such deals, he's apt to be jolted by a deduction disallowance—under Treasury rules that bear down hard, even in cases where seller was innocently pursuing some private purpose with no intent to create an artificial tax advantage.

The broad rule says you cannot deduct losses made on sales to your spouse, child, grandchild, brother, sister, or parent—whether the sale is made directly, or indirectly through a third party. (But the rule does not bar losses on sales made to in-laws, nephews, nieces, cousins, uncles, or aunts.)

That people get hurt by this rule—and quite innocently—is not just idle tax-adviser talk. Here's a recent case that shows how tough the Treasury can be:

The investments of a mother and son were managed by the same counselor who, without the knowledge of either, sold the son's shares of XYZ stock at a loss (to offset expected capital gains) and, in the same year, on the same stock exchange bought shares of XYZ for the mother's account.

The Treasury applied its family-sales rule and disallowed the son's loss deduction, and the federal court agreed—even though neither son nor mother had any control over the other's affairs, and both had distinct business motives for dealing in the market.

There's a three-point warning to keep in mind, besides the general rule, if you expect to be making family sales:

(1) Be careful in selling a number of properties to a relative at a total break-even price. The Treasury may charge you with separate sales—so that you wind up with taxable gains on some and disallowed losses on others.

(2) Be careful if you sell to in-laws—even though they aren't on the disallowance list. The Treasury may claim that the sale was actually made to the blood relative to whom the in-law is married—for example, your daughter, where you sell to your son-in-law.

(3) There's danger in a third-party sale, too. Should you sell to a third person, who in turn resells to your relative, the loss deduction might be disallowed. Indirect sales, even totally innocent ones, won't be overlooked.

There's one soft spot in this rather hard set of rules—and in some cases it can mean a fair recoup of losses: The buyer in the "loss sale" gets a tax benefit based on the seller's disallowed loss, if he later resells the property at a gain. His gain, up to the amount of your loss, is not taxed.

For example, suppose you bought a parcel of real estate in 1952 for \$10,000. In 1954, you sold it to your son for \$8,000. The \$2,000 loss was disallowed as a deduction. In 1957, your son sells the lot for \$11,000. The result: Only \$1,000 of his \$3,000 gain is taxed—\$2,000 is washed out by your disallowed loss.

What about a profitable sale made to a close relative—where you make a profit, but not so much as could have been realized on the open market? Must the difference between real value and sales price be reported for income tax purposes?

No—but you'd probably pay gift tax on the difference.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

JUNE 29, 1957

Sometimes, though, you can make a saving within the family—despite the gift tax. You spread the gift among several family members. They resell on the market, make their gains, and pay income tax—but with lower tax brackets than yours, they'll pay less than you'd have paid if you had sold on the market yourself.

—•—

Travelers going abroad who want to make sure they don't miss the boat can, of course, hold their bon voyage parties aboard ship. But don't expect all steamship lines to provide the party fare—some encourage such celebrations, others only tolerate them. In any case, make arrangements well in advance. If the ship line is going to provide food or services, they'll need to know at least 24 hours beforehand—earlier if possible.

Food—Some lines will provide canapes (and stewards to serve them) free; others charge nominally. Check to see if outside catering is necessary.

Set-ups—Most lines will provide glasses, ice, mixes, and champagne buckets—usually without charge.

Liquor—All alcoholic beverages have to be brought on board at party-time (or be delivered by a local store). Customs regulations prevent the ship line from selling liquor in port.

Place—Some ship lines open their lounges or public rooms for large parties—otherwise you use your stateroom or suite. The public rooms are at a premium, however, and reservations are on a first-come, first-served basis.

Time—Parties can be held only during embarkation hours—about three hours before sailing time. And all guests must leave the ship a half-hour before it sails.

Tourists who are flying abroad don't have to miss the fun of bon voyage parties—international airports have private rooms and catering services. Idlewild International Airport, New York, for instance, will have greatly increased facilities starting next month.

—•—

Here are some new books on the lighter side, for vacation-time:

Record Houses of 1957—features 25 outstanding contemporary houses, with plans, drawings, and 268 photographs (F. W. Dodge Corp.; \$2.95).

Mosaics, Hobby and Art—is a how-to book for both the beginner and the advanced hobbyist, with instructions and designs for mosaic-decorated objects, by Edwin Hendrickson (Hill & Wang; \$3.50).

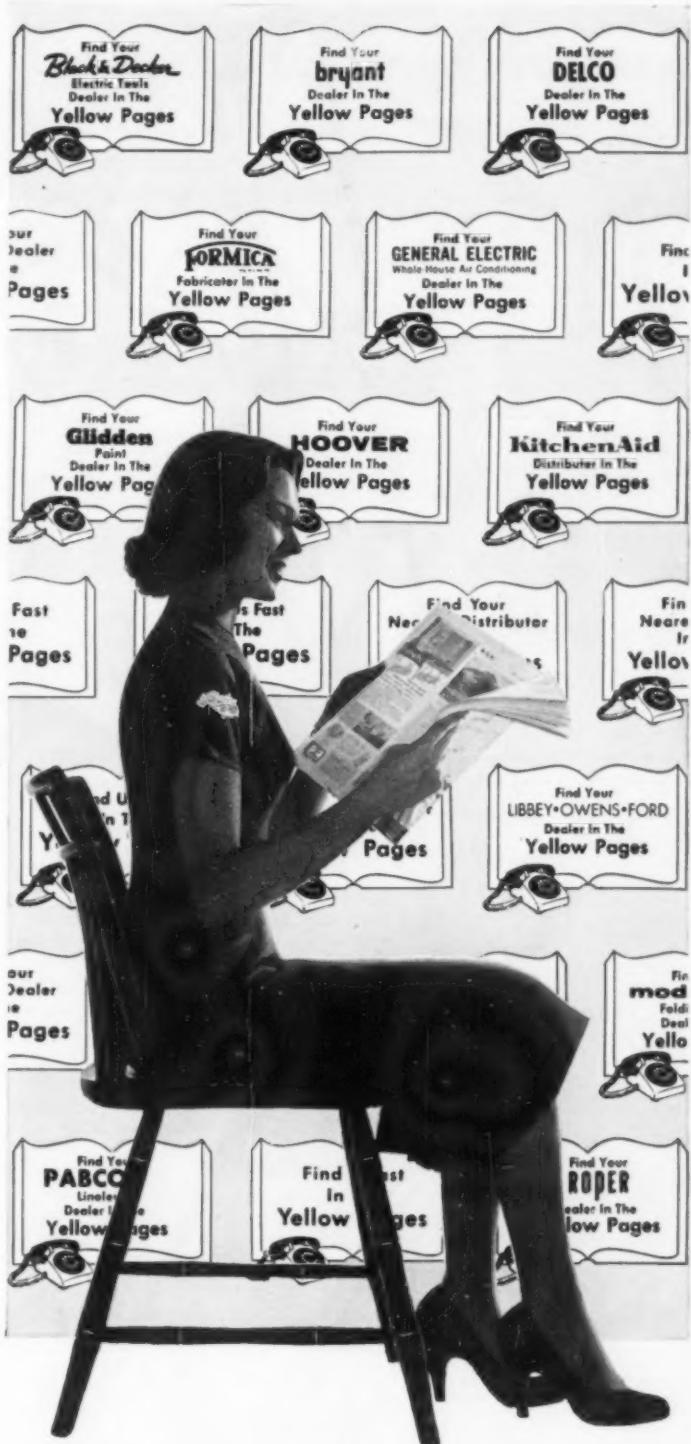
Trains—for railroad fans, this new electronic-age edition travels with history and pictures from the earliest steam engines to the latest electronic streamliners, by Robert Selph Henry (Bobbs-Merrill; \$3.95).

Wild Ocean—a story of the North Atlantic and the men who have sailed it, for Sunday sailors and anyone who likes to sit and watch the waves roll in, by Alan Villiers (McGraw-Hill; \$5).

How to Build an Orange Crate From Old Pieces of Furniture—a satire on the hazardous existence of modern man, for practically everyone and especially the do-it-yourselfer, by Jack Cluett (Doubleday; \$2.95).

Life at Happy Knoll—a tongue-in-cheek document of life at a country club, should delight old members and amuse the uninitiated, by John P. Marquand (Little, Brown; \$3.75).

Contents copyrighted under the general copyright on the June 29, 1957, issue—Business Week, 330 W. 42nd St., New York, N. Y.



Look for the Yellow Pages emblem in advertising to save you time and trouble in shopping. It helps you find the retailer who sells the advertised product by guiding you to the Yellow Pages of your telephone book. That's where leading advertisers list their dealers for your shopping convenience.

HERE IS ANOTHER AD

in a year round campaign to promote the Yellow Pages emblem. More than 25,000,000 readers* of Better Homes & Gardens, Life and Saturday Evening Post will see it in June and July.

Right now hundreds of leading firms are displaying the emblem in their newspaper, magazine and television advertising. Many thousands of local merchants are showing it in ads, on store fronts and trucks in communities across the country.

This national tie-in promotion makes Trade Mark Service in the Yellow Pages of telephone directories a powerful link in the chain of distribution.

The Trade Mark Service representative has complete information. Call your telephone business office!

*combined adult primary readership, Starch.

PRODUCTION



TEXAS TOWER'S third leg had to be suspended 160 feet in the air, all 450 tons of it, while cross-braces from two other legs were installed.



FINISHED structure, right, dwarfs workmen at water level and on top, the triangular assembly is now ready for towing to offshore site.



BASE of one of the tower's three feet shows guide lines to help hydraulic specialists to tip the tower on end.



BRACES nearest camera will be removed when tower is upended, leaving room for platform to float into place.

Texas Tower No. 4 Goes to Sea

Built to stand in 180 ft. of water, Air Force's latest radar warning platform had to be built in two sections. It took spectacular engineering.

OF ALL the odd sights at sea, perhaps the oddest of any is the Air Force's Texas Towers—the offshore radar platforms that stand high out of the water, up to 100 mi. from land. This week, the third and strangest of these towers will start inching its way from Portland, Me., to its station 100 mi. southeast of New York harbor.

The two earlier Texas Towers—so named because they resemble offshore oil drilling platforms of the Gulf Coast—looked unusual enough as they were towed from shipyard to deepwater post. But at least they had the general appearance of big barges with uprights at each corner. The new tower (pictures these pages and page 166) is floating to its site in two pieces.

In one tow is the 3,200-ton operating platform, on which a 70-man Air Force crew will keep radar vigil. In the other tow is the underpinning—the three legs of the tower and their crossbracing—floating on its side. At the site, the understructure will be tilted upright by controlled flooding, and the platform will be floated into place, then jacked 67 ft. above the water.

• **Third and Last**—This tower is labeled Texas Tower No. 4, but it is actually only the third, and probably the last, to be built. No. 1 exists only on paper. Bethlehem Steel's Quincy (Mass.) shipyard built No. 2, and Walsh Holyoke Div. of Continental Copper & Steel Industries, Inc., in South Portland, Me., built No. 3 and No. 4.

The first two Texas Towers were designed for relatively shallow water, one in 50 ft. of water over Georges Bank 150 mi. east of Boston, the other in 80 ft. of water 80 mi. east of Nantucket. For this depth, the legs of a tower don't need to be cross-braced, so they could be retracted for towing and then driven into the ocean bottom.

But Texas Tower No. 4 will stand in 180 ft. of water, and the legs must be cross-braced. And you can't drop a cross-braced tower leg through a hole in the deck of a platform. So Continental Copper & Steel had to build separate sections.

All three towers, stationed along the far side of the Continental Shelf, have the same mission: to provide New England and New York with an extra 5 to 7 minutes warning of low-flying enemy



READY FOR SAILING, the tower's understructure gets finishing touches from a worker perched 160 ft. above the shipyard's construction basin at South Portland, Me.

"Fresh Air a Production Tool?"



Jenn-Air QT Belt Drive Roof Exhaustor. Full ball bearing drive and motor mounted out of air stream. Non-overloading blade ensures long life—smooth operation. Low contour design.

Quiet-Tested
JENN-AIR Exhausters
Provide Ventilation to
Assure Comfort...to
Increase Worker Output

As any business executive knows, comfortable, satisfied employees make more productive employees. Jenn-Air low contour Roof and Wall Exhausters draw the contaminated air out, bring the fresh air in . . . with a remarkably low noise level. When Jenn-Air Exhausters are employed at your plant, you'll realize (1) that you have purchased the most dependable type of ventilators—with all-aluminum construction . . . motors pre-lubricated for 10 years' service; (2) that you have the quietest ventilating system and can now translate sound control in industry into dollars.

JENN-AIR PRODUCTS COMPANY, INC.
1102 Stadium Drive, Indianapolis 7, Indiana

Gentlemen:
Please rush me descriptive literature on Quiet-Tested Jenn-Air Exhausters.

NAME _____

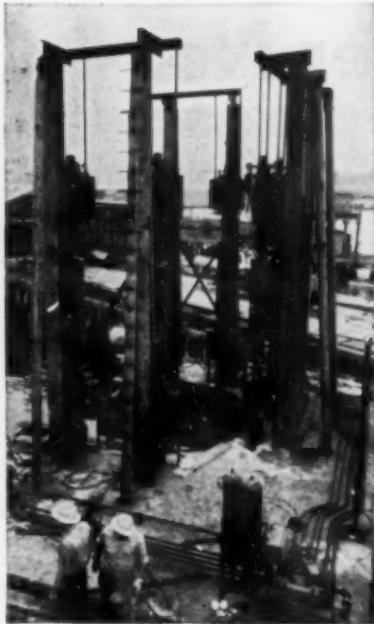
FIRM _____

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JENN-AIR PRODUCTS COMPANY, INC.
1102 Stadium Drive, Indianapolis 7, Indiana



RADAR PLATFORM was built separately, with a rounded notch in each corner to engage the supporting legs and jacks to raise the platform 67 ft. above the sea.

planes. Under present plans, no more will be built.

• Not the Costliest—Despite its complications of construction and installation, the new Tower No. 4 is not the most expensive of its group. Total cost, installed, is estimated at \$9½-million to \$10½-million. The first one, built by Bethlehem, came to between \$12-million and \$13-million; the second, built by Continental, cost \$8½-million to \$9½-million.

Continental sees a chance of getting orders from the oil industry for offshore drilling rigs. The long-legged design could permit operations in water 250 ft. deep in the Gulf, off California, and in the Persian Gulf.

• Design—Each of the Texas Towers carries a double-decked triangular platform, roughly 210 ft. on a side, that contains the vital radar gear, quarters for the 70 officers and men, and the machinery, which includes seven diesel-electric generating sets and a couple of steam boilers. Fuel oil, 350,000 gal. of it, is stored in the platform and in the tower's legs, and a 30-day supply of provisions is kept on hand at all times.

The platforms are built to withstand winds up to 125 mph. and waves up to 60 ft. high. This should get them through any storm that has been known up to now. Helicopters, weather permitting, keep the towers in communication with the shore each day.

• Fabrication—Each leg of the newest tower is 300 ft. long, 12½ ft. in diameter, and 450 tons in weight. Build-

The man who
reads dictionaries



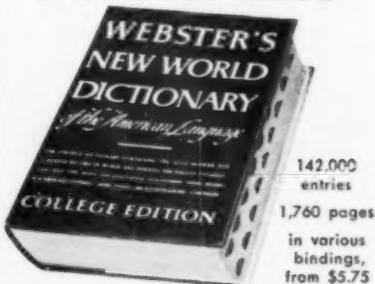
© Philippe Halsman Photo

JAMES THURBER, one of America's great stylists, whose most recent book is *The Wonderful O*, says:

"I seem to have collected dictionaries, from Cassell's Latin to the thirteen volumes of the O.E.D., but none has a more special value than Webster's *New World Dictionary*, College Edition. It is an important contribution to the American language. I keep trying to catch mistakes or omissions in its coverage of our slang, and almost invariably fail. The other day I looked for a certain definition of 'bug.' It was there, concise and correct, 'a defect, as in a machine.'"

The name Webster along on a dictionary is not enough to guarantee excellence of this kind. Visit your bookseller and ask to see —

WEBSTER'S NEW WORLD DICTIONARY



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THE WORLD PUBLISHING COMPANY

ing this support structure in a horizontal position, for towing to the site, presented special problems. Two of the legs could be held in position on the water, but getting the third 450-ton leg in place 160 ft. in the air involved some breathtaking engineering.

Continental thought of two other ways of doing it—building it up piece by piece as the crossbracing was installed or sending it to sea separately for attaching at the site—but discarded both as being twice as costly as the way it eventually was done.

In the end, M. W. Kellogg Co. of New York was brought in to carry out a complex rigging job. With four temporary towers and gin poles, 68 main guy lines, 27 erection lines, and land and sea anchors, the third leg was raised 160 ft. and held in position for almost three weeks while the braces were fastened in place. This is believed to have been the heaviest lift ever made with temporary rigging; it had to be precise, allowing less than an inch of deviation.

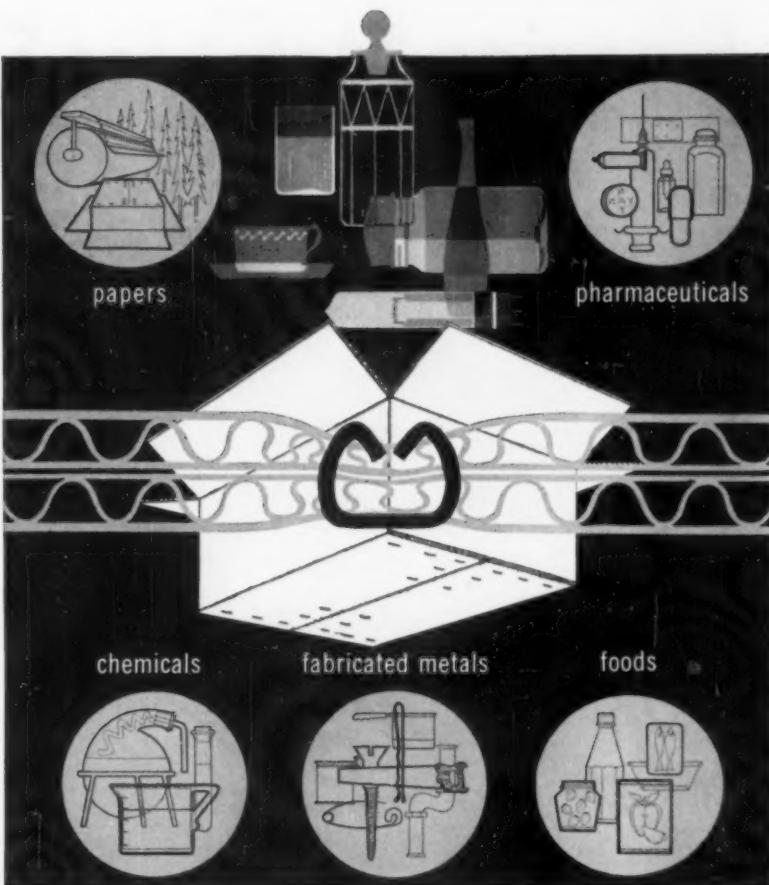
- Installation**—A temporary part of the tower's understructure is a swinging platform high in the end that will be uppermost when the legs are tilted to the ocean floor. The platform will remain level as the tower is tipped to the vertical. Meanwhile, it is manned by a crew of six as the tow moves slowly—at 2 or 3 knots—to the site.

Installation at the site, which accounts for about 35% of the total cost of the tower, will be done by Steers & Morrison-Knudsen, a joint venture of J. Rich Steers, Inc., and Morrison-Knudsen Co.

The first step will be to upend the tower legs at the approximate position; this will take about six hours. Compartments in the tower legs are progressively flooded to pull one end of the structure under the water. Next the structure will be positioned more exactly, and sunk to the bottom by further flooding. If weather is favorable, this will take another 24 hours. When the feet of the tower legs reach bottom, a high-pressure stream of water and air will be driven out of holes in their base, to flush away the sand and silt until the legs stand firmly in 21 ft. of sea bottom.

Then the temporary braces at the upper end of the legs will be removed, and the platform will be floated into the open end of the "V." The legs will be engaged in rounded slots at the corners of the platform (picture, page 166). Hydraulic jacks, working against the legs, will finally lift the platform to its permanent level 67 ft. above water.

Getting the tower solidly implanted in the bottom, moving the platform into place, and jacking it to its final height will take another month, construction men estimate. **END**



Ideas for Products Going Places ...in fibreboard boxes

Over 90% of the Ceramics Industry production is shipped in fibreboard boxes. And *three out of every four* Ceramics producers who close boxes with stitching wire rely on Acme Steel Silverstitch Stitching Wire.

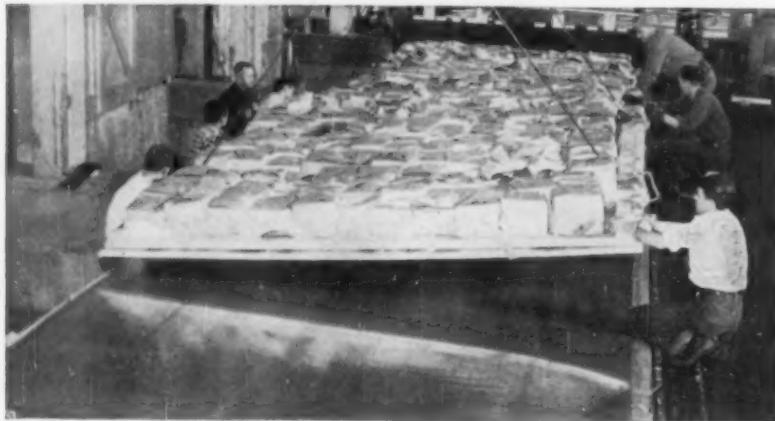
Economy and speed are just two of the advantages of Acme Steel Stitching Machines and Wire. Strong, steel stitches provide secure box closures, reduce pilferage and protect your product. You can have these advantages, too, for Acme Steel makes a stitching machine and wire for every box closure need.

BOX CLOSURE HANDBOOK—The book, "A Guide To Better Closures", presents the plus and minus impressions for the common methods of box closure. Send for your FREE copy of this 20-page, factual book written for the non-technical reader. Write to: Dept. BGW-67, Acme Steel Products Division, Acme Steel Company, Chicago 27, Illinois.

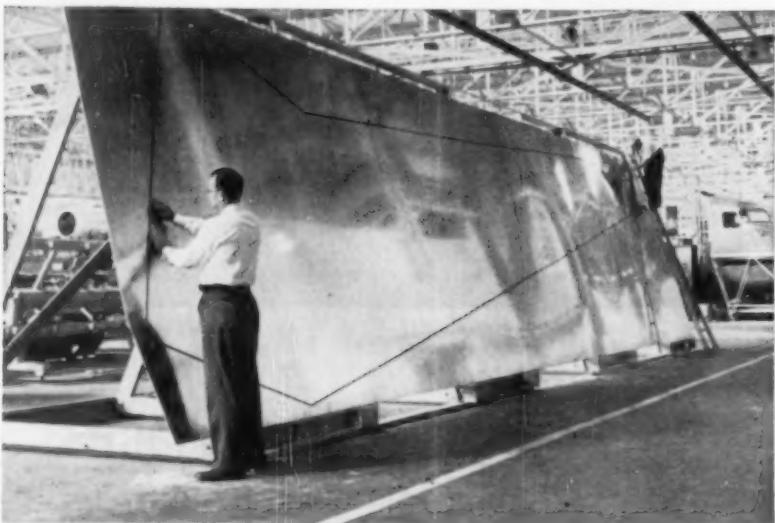


ACME STEEL **WIRE STITCHING**

Freezing Metal for Safekeeping



At Alcoa plant in Iowa, dry ice is packed on metal . . .



Which is cut into shape of wing at Douglas plant and . . .

Handled with care not to bend it, is carted off to the assembly site of new DC-8 jet transport.

YOU'D HARDLY expect a big chunk of aluminum plate to spoil in the summer sun. But the men in the top picture are packing dry ice around a big aluminum wing skin to keep it from doing just that.

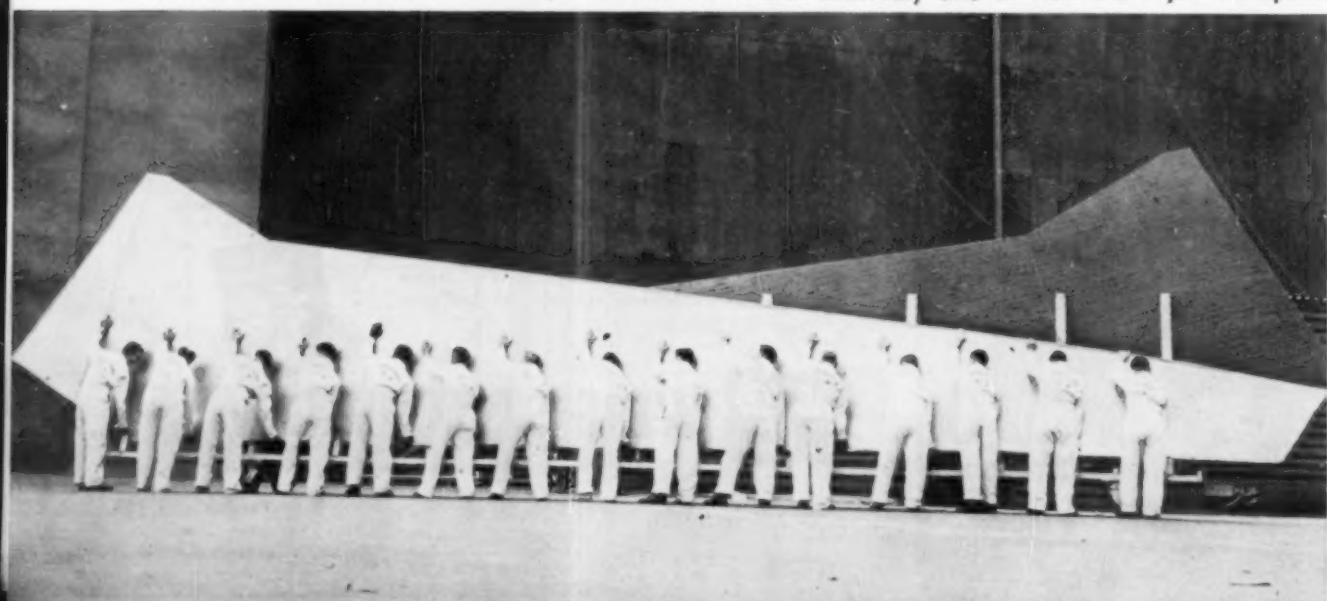
The skin, made from the largest tapered plates ever rolled, is for the new Douglas DC-8 jet transport. It's 46 ft. long, 12 ft. wide, and tapers from a thickness of about 4" at the root to $\frac{1}{2}$ in. at the tip. When it's ready for shipping, the piece of metal weighs 1350 lbs. Putting the taper in such a wide sheet required the services of the world's largest tapered sheet mill at Alcoa's Davenport Works. The mill was installed in 1954, and figured in the early design calculations for the DC-8. Douglas designers took full advantage of the mill's 12-ft. width.

The reason for the deep freeze treatment is the special alloy—metallurgists call it an age-hardening type—that Douglas engineers specified for the wing.

- **Crystals Change**—The alloy slowly gets harder and stronger due to a crystal change that takes place at room temperature. In this case, it's a useful property, since the material can be machined and shaped in a soft condition, then automatically toughens itself up without heat treatment or tempering.

One of the most common uses of age-hardening aluminum, for example, is rivets. They get stronger after they are driven. To hold up the age-hardening process, rivets are stored in deep freezes until they are used.

- **Chilling Dilemma**—When the aluminum plate was faced with a seven-day trip from Alcoa's rolling mill in Iowa, to the Douglas plant in California,





man-on-the-spot

in Bangkok



He can be *your man*.

With a close-knit network of overseas offices, traveling representatives and correspondents, Bank of America's International Department can offer you the personal services of an *on-the-spot* financial agent in any part of the free world.

If you do business abroad, the chances are high that this kind of first-hand information will make your dealings smoother. Why not see us about it?

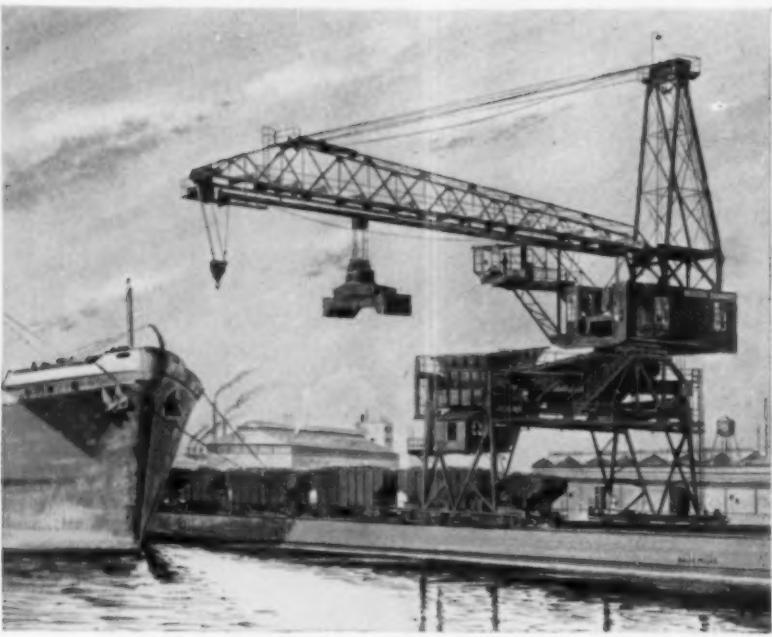
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HOW 75 TON BROWNHOIST COMBINATION CRANE *will greatly increase GALVESTON port facilities*

The latest type combination boat-unloading crane being engineered and built by Industrial Brownhoist in Bay City, Michigan will substantially improve facilities in the Port of Galveston's 1957 expansion program.

This big, fast-working Brownhoist crane loads or unloads bulk materials from ship-to-cars or cars-to-ship at the remarkable rate of 540 tons per hour! Equipped with 75 foot boom on which travel both a hook and a Brownhoist-made, 80 cubic foot flush link-type bucket. The entire unit straddles three railroad car tracks located on the pier.

In addition to boat unloading equipment and material handling bridges, Industrial Brownhoist manufactures Diesel-Electric locomotive cranes from 25 to 90 tons, and railroad cranes up to 250 ton capacities. If your firm can profit from reliable, high-speed, high-capacity material-handling equipment, write for new general Catalog No. 562.

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202

BROWNHOIST

CLAMSHELL BUCKET 250 TON WRECKING CRANE COAL-ORE BRIDGE CAR DUMPER LOCOMOTIVE CRANE



INDUSTRIAL BROWNHOIST CORPORATION, BAY CITY, MICHIGAN

DISTRICT OFFICES: New York, Philadelphia, Cleveland, Chicago, San Francisco, Montreal, Canada • AGENCIES: Detroit, Birmingham, Houston

Alcoa engineers had to find some way to keep it from hardening before it arrived for final machining and milling (lower pictures, page 168).

Since no deep freeze ever built would hold the plate, they packed it in dry ice. The chemical keeps the wing panel at sub-zero temperatures during the whole trip and evaporates by the time the package arrives in California.

Milled and drilled immediately on arrival, the aluminum plate hardens up to a strong structural part.

PRODUCTION BRIEFS

Sea-going plastic bags for transporting liquids are being developed for the Navy by U.S. Rubber Co.; the long narrow bags can be towed with little effect on cruising speed or fuel consumption. The idea popped up in Britain during the Suez crisis (BW—Feb. '57, p108). Unlike the British concept, the Navy's bags will be ballasted to travel below the surface, to escape the effect of high seas.

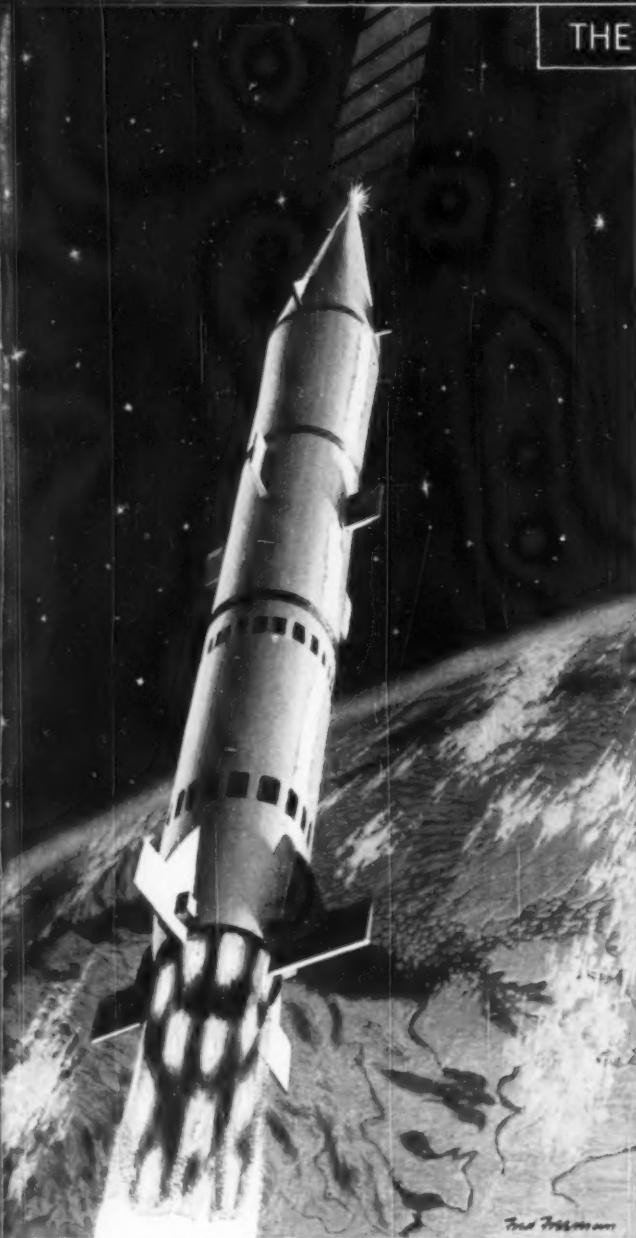
A low-pressure polyethylene plant was opened last week at Parlin, N. J., by Hercules Powder Co. Hercules says commercial production will start after a short break-in period at the 30-million-lb.-a-year plant. Hercules has been selling the new-type polyethylene for several months under an arrangement with Germany's Farbwerke Hoechst, which uses the Zeigler process.

Paper made from Philippine bamboo has scored high in tests at the U.S. Forest Products Laboratory at Madison, Wis. The lab says the paper doesn't tear easily and compares favorably in bleaching quality with the best North American hardwood types. The Forest Service urges U.S. farmers to try bamboo as a crop because it grows fast and has a high yield of fiber.

Computers work so fast on reducing and interpreting data on missile tests that a full analysis plus design changes can be completed with four days of a test firing, according to project engineers. The speed is necessary because missiles are being fired more frequently, with rush changes that mean each bird is different, although production is approaching the mass scale.

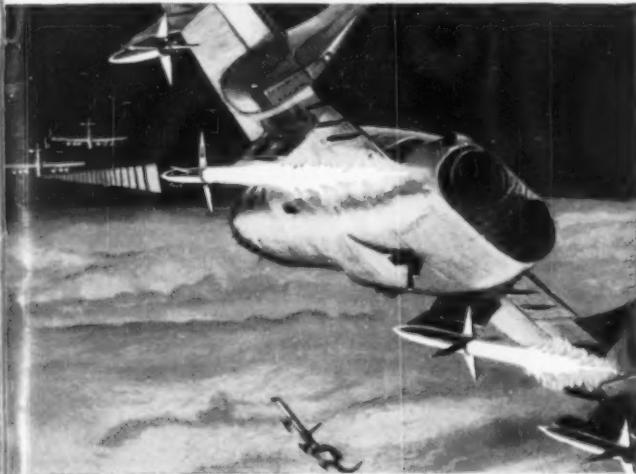
An auto inspection machine that automatically grades and marks cylinder block casting has the industry excited. One car maker, whose rejections of blocks have run as high as 300 a day, says the machine can save valuable time. The tester, developed by Baker Bros., Inc., of Toledo, rejects blocks that are not suitable for boring.

THE STORY BEHIND THE STORY



LAND POWER takes on new offensive strength by employing surface-to-surface missiles to pinpoint retaliatory blows against aggressors and destroy selected land targets.

AIR POWER is made more formidable by use of air-to-air missiles to intercept the high-speed attacks of enemy jet fighters or bombers.



SEA POWER is strengthened and its range extended by surface-to-air missiles designed to intercept attacking aircraft far from our shores.



MISSILES:

On their precision may rest
the fate of the world

No matter how many missiles a nation builds, no matter how much they cost, the effort is useless if they fail to deliver a warhead squarely on the target. On the other hand, the nation possessing missiles of known precision has one of the greatest powers on earth to prevent wars. No aggressor could afford the swift and deadly retaliation such missiles assure.

Whether a missile is designed to intercept a bomber at short range — or demolish a target in another hemisphere — its effectiveness depends to a large extent on the performance of the gyroscopic, electronic, hydraulic and mechanical systems which guide it. With new missiles capable of reaching 5,000 mph within seconds after blast-off, these ultra-sensitive components must survive violent stresses and hold the missile on its true course to the exact moment of impact.

Through the foresight of America's military strategists our missiles now constitute a strong power in maintaining world peace. Our immunity to attack will continue, however, only so long as their precision remains superior. Sperry's contributions to our missile program range from instrumentation and components through major subsystems like radar and inertial guidance, to complete missile weapon systems and automatic checkout equipment.

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Great Neck, New York
DIVISION OF SPERRY RAND CORPORATION



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468 of the 500 largest U.S. industrial corporations . . .
and tens of thousands of smaller companies**

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NEW PRODUCTS

Scaled Down to Low-Budget Labs

The \$5,300 instrument in the picture is the successful offspring of a \$250,000 misfit. It's a portable mass spectrometer developed by Consolidated Electrodynamics Corp. of Pasadena, Calif. The instrument is expected to be the fast, handy tool that engineers and research scientists have needed for the analysis of gaseous and light liquid mixtures. But it still owes all that it is today to its unfortunate ancestor.

The first industrial mass spectrometer, costing \$250,000, was built by CEC in 1938 for use in oil prospecting. The idea was to sniff out oil-bearing strata by analyzing surface soil gases with the instrument. But interest in this method of prospecting died, and CEC was stuck with an expensive white elephant.

• **Wartime Interest**—However, during World War II, the demands of the synthetic rubber and oil refining industries for precise and fast analysis during production flushed mass spectrometry out of the experimental stage.

Three new spectrometers actually directed the entire U.S. output of synthetic rubber during the war years. Since then, the mass spectrometer has been used to analyze samples of everything from xenon and krypton gases used in vacuum tubes to beer and cigarettes.

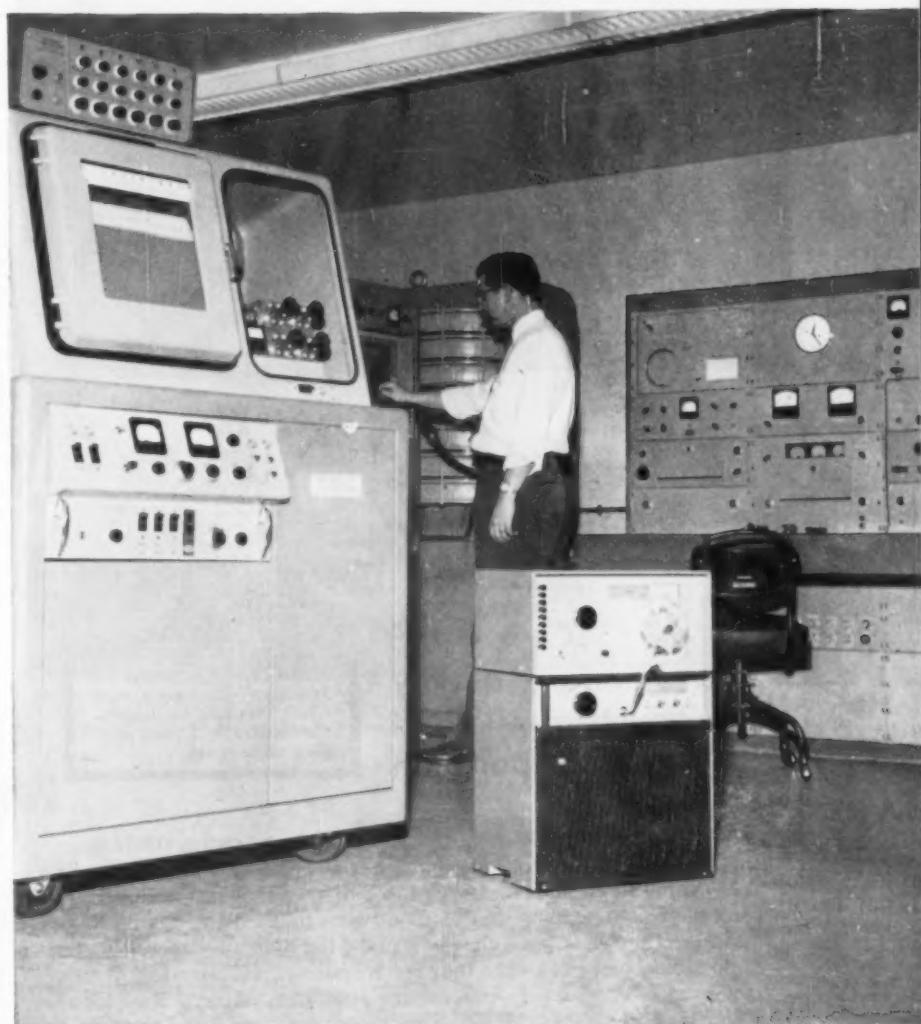
• **Portability**—These instruments, and the ones that followed, were room-sized jobs, the pride of any laboratory that could afford the price of more than \$100,000.

The new instrument can be easily moved from the laboratory to the plant and set up on a table top for on-the-spot analysis during production. Within 15 to 30 minutes, it can analyze the kinds and amounts of all gaseous elements in a mixture. And, because of its low cost, smaller manufacturers and laboratories will be able to use it to make analyses they otherwise couldn't afford.

• **Limitations**—Of course, CEC's new model 21-611 can't do everything the big ones do. It is effective only in determining elements of light gases. But the simplification of its controls means it can be read by less skilled personnel and operated at about half the cost.

CEC engineers are confident the instrument will bring mass spectrometry to a much broader low-budget market, including university research laboratories, small and medium-sized refineries, chemical plants, petrochemical plants, and processors.

• **How It Works**—A spectrometer works like this:



NEWEST AND SMALLEST of the family of mass spectrometers is in center foreground, with bigger models at left and rear.



THE NEW MODEL (right) analyzes small amounts of gaseous mixtures or liquids that can be vaporized. It costs \$5,300.



**7 $\frac{2}{10}$ diameters
...only 2 blows**

**KEYSTONE WIRE
gives uniform quality
products at Midland
Screw Corporation**



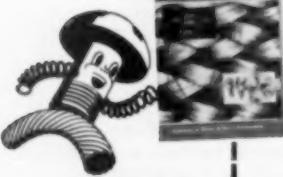
Midland's products include the Spin Lock Bolt made from "XL". Produced for automotive industry for 3 years without a single reject.

flowability IS THE SECRET Midland Screw Corporation, Chicago, Ill., threw the rule book out the window when they cold headed the welding screw shown above. 4 to 5 diameters is just about tops for 2 blow cold heading, but Midland goes to 7.2 diameters on this fastener. They've learned they can make the difficult—or well-nigh impossible—jobs easy when they use Keystone "XL" Heading Wire.

It will pay you to investigate the possibility of using Keystone "XL" Heading Wire in designs that have been considered too complex for ordinary wire. Talk over your problems with your Keystone Wire Specialist. He will show you how the *flowability* characteristics of Keystone "XL" Wire can help you, too!

Keystone Steel & Wire Company, Peoria 7, Illinois

KEYSTONE
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Mail coupon for free booklet—COLD HEADING FACTS! Discusses methods, technical facts, wire requirements and other data.

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Company _____
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A sample of the unknown vapor or gas mixture is held in a glass container attached to the instrument. Molecules of the mixture pass through a series of inlets to an ionization chamber, where they are bombarded with electrons. Then, as ions, they're accelerated to a high velocity by a high voltage, shot into a chamber by a strong electromagnet. The magnetic field causes each ion to rotate in a circle whose radius depends on the weight or mass of the ion.

The ions strike a collector that translates their various impacts into electrical impulses. The impulses, recorded on an oscilloscope, show how much of each mass or element is in the mixture. Records of standard mixtures can be kept on punch cards for later comparison.

NEW PRODUCTS BRIEFS

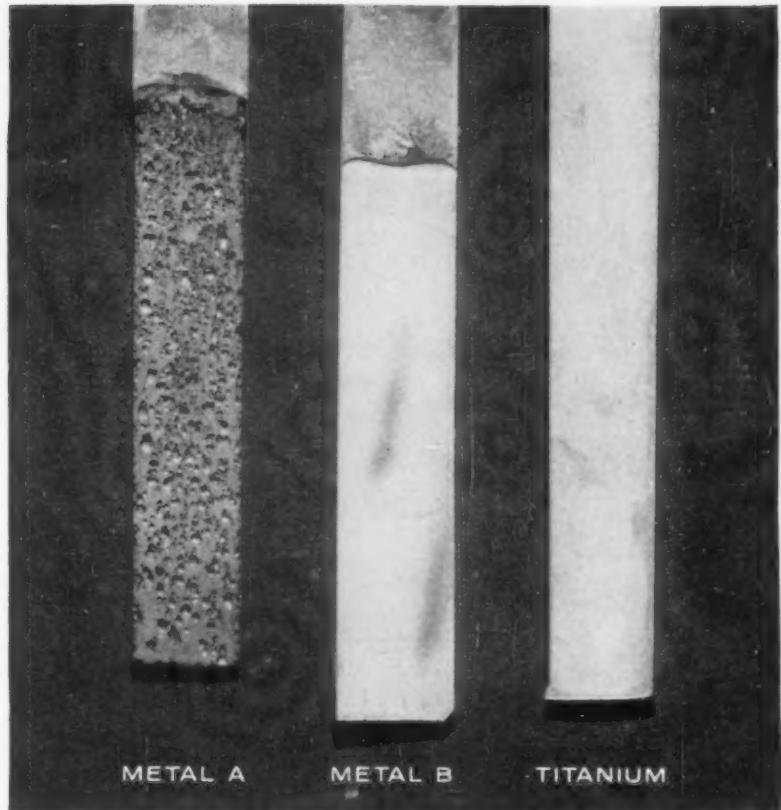
A portable radio facsimile set needs just five minutes to put a developed photograph in the hands of a person up to 40 miles away. Developed for the Army by the Times Facsimile Corp., New York City, the set is also expected to be useful for newspapers. The picture is taken with a Polaroid camera, and developed in one minute; transmission by radio to a Polaroid film receiver takes three minutes; the final development at the receiving end one more minute.

The punch card principle has been applied to door locks by Foersvarets Forskningsanstalt, of Stockholm, which claims its lock is virtually proof against picking, packing with explosives, or the taking of impressions. The key is a thin steel strip, grooved, and slightly curved; when it's slid into the lock, tumblers press into the grooves; it cannot be withdrawn till the lock is turned and the tumblers recede. Two-year tests indicate the lock can be operated more than 200,000 times.

An electric personnel carrier that can climb hills and ramps with a full load of four passengers is being made by Worthington Mower Co., Stroudsburg, Pa. It's called the Champ, has a 24-volt motor and a special long-life battery. The maker recommends it for use in plants, hospitals, and hotels because it is quiet, gives off no fumes. Cost: \$1,000.

A mobile weighing station for use in enforcing weight limits for commercial vehicles on state highways has been developed by Locomotion Engineering Inc., Sunnyvale, Calif. The 13,000 lb. unit with a full set of platform scales can be set up by 2 men in 15 min.

*Progress
with
TITANIUM*



Test strips of three different metals after partial immersion for 24 hours in the same solution containing 10% nitric acid and 20% ferric chloride. Only titanium was unaffected. Both other metals are commonly used in certain processing applications.

TITANIUM ...the lowest-cost metal?



Clamps on racks used to hold automotive moldings in anodizing bath. Titanium clamps last up to 30 times longer than other metals tried in electrolytic solution.

- In a surprising number of applications titanium is just that. For titanium has exceptional resistance to many corrosive media that quickly destroy other metals.

For example, titanium is uniquely superior in resisting corrosion by such common industrial chemicals as nitric acid, solutions of chlorine, chlorinated compounds. Also, titanium is not susceptible to stress corrosion. It resists pitting attack in a solution where corrosion does take place. Thus this new metal is being used in more and more places, where corrosion wastes money—in process vessels, piping, filters, heat exchangers, and many other types of equipment.

Titanium has a big future. Let us help you "design ahead" with this exceptional metal. We'll be glad to supply corrosion data, and help you evaluate titanium in your applications. Write Dept. Q-7, for complete information.

MALLORY Ti SHARON
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Producers of titanium and titanium alloy sheet, strip, plate, rod, bar, billets



ANNUAL MEETINGS draw bigger crowds—with women and retirees predominant.



SOME PRESIDENTS—like Walter Tuohy of Chesapeake & Ohio RR—enjoy being buttonholed by “owners.”



RECORD turnout was held by General Electric. Over 3,600 persons turned up at this year's meeting.

MANAGEMENT

Giving Stockholders Their Day

Many companies put on big shows to draw shareholders to annual meetings. But there's some argument on whether it's worth it.

"Sir, just what do you do that's worth \$150,000 a year to us?"

Over the past year, a number of company presidents have been asked that question, and others equally blunt, at a time and place where a coherent answer can be most difficult to make—the annual meeting.

In the coming years, the questions are going to come faster, and possibly trickier, as the annual meeting becomes more and more a public affair, and the number of stockholders attending continues to increase. Certainly the trend is in that direction. Some companies have run out of space to handle growing crowds.

Stockholders—or shareowners, as some insist they be called—are attending meetings, to the shock of old line executives, and in many instances insisting on not only the right to ask questions but also

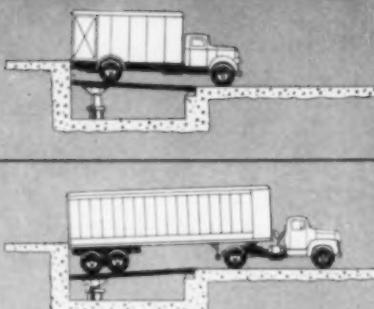


QUESTIONS flow faster—and it's dangerous to duck even the embarrassing ones.



What's your lifting / loading problem?

PROBLEM:
Handle more
dock traffic
in limited
space



Truck Leveler raises or lowers truck bed to dock level

The modern hydraulically-operated Rotary Truck Leveler speeds loading and unloading operations of any truck at any dock. Eliminates sharp, dangerous ramp inclines.

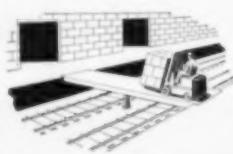
Takes no space . . . easily installed in pavement in front of dock at new or existing buildings. Leaves dock platform completely free of obstructions. Capacity, 40,000 lbs.

PROBLEM: No room for ramp or dock



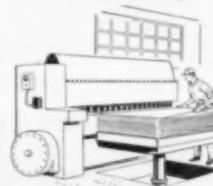
Lift loads direct from plant floor to truck bed level with Rotary Levelator Lift. Takes no space because it's level with the floor in lowered position. Also used to move fork trucks, other traffic from one plant level to another.

PROBLEM: Eliminate long hauls around rail siding



Dock-To-Dock Bridge spans gap between buildings, speeds plant traffic and shortens traveling distance. Turns and lowers between tracks to permit rail traffic. Drawbridge and other types also available.

PROBLEM: Keep materials at convenient height



Production lift raises materials automatically for fast, continuous machine feeding. Handles heavy loads faster and cheaper than men or makeshift methods. Size, capacity, rise, rate of travel and controls as desired.

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FOOD—even informal box lunches—helps draw crowds.

on the right to be fed and entertained.

- **Big Productions**—As a result, many meetings are moving out of headquarter offices into hotels, theaters, even tents. At General Electric's last meeting, peak crowds of more than 3,600 overflowed a big national guard armory in Schenectady, with the excess informed via closed circuit television in a local movie theater. The simple business meeting is developing into a sumptuous panoply of frills: entertainment ranging from product exhibits and plant tours to feature movies, boat rides, even night club acts; "refreshments" ranging from coffee and doughnuts, to box lunches, to champagne dinners.

And the increased attendance is forcing presiding officers to be a lot faster on their feet in answering questions—some naive, many extremely trenchant—that frequently require involved and careful explanation in a way that both satisfies their audience and protects their company.

- **The Questions**—Here's a random sampling of some questions asked at annual meetings this year.

"Every time I smoke one of your cigarettes, it makes me belch. Why?"

"Was any division of the company in the red this year?"

"Every time your driver delivers oil, he forgets to screw the inlet pipe tight enough, and the children put sand in it. What are you going to do about it?"

"What is the company's policy about training young men to replace the older men now running it?"

"The stock has gone down 40% since I bought it. What are you doing about it?"

This sort of session is only just beginning. A look at a few figures shows how the meetings are growing in size. GE in 1948 drew 205—less than a



Meet Ray Matson
of Division D

a printer's banker

In 1931, when Ray Matson came to Division D at The First National Bank of Chicago, he inherited a customer, a printer. The man's shop occupied only 10,000 square feet; he had capital of approximately \$40,000.

Division D loans to printers and publishers. And in 1931 Mr. Matson furnished \$10,000 to the printer for operating purposes. In addition to current loans, nearly every year since, there have been others—for mortgage financing, for a new plant, for equipment, for acquisition of another printing operation.

Last year-end the printer's business had capital of considerably more than \$500,000. It now occupies 65,000 square feet; and Ray Matson is still supplying funds and financial consultation.

Printers, publishers and the graphic arts are "family" to Ray Matson. His father was engaged in the industry for more than 50 years. In business Ray has learned about everything from saddle-wire stitching to offset presses; in private life he collects Currier and Ives prints.

Mr. Matson and Division D are typical of the Divisions of our Commercial Department. Each Division serves one group of industries exclusively; each loaning officer has a unique, comprehensive understanding of and a personal interest in those industries he serves.

Whether you deal in printing or pop corn, one of our Divisions and its officers can serve you. We invite you to talk over your situation with a banker who speaks your business language . . . a banker from The First.

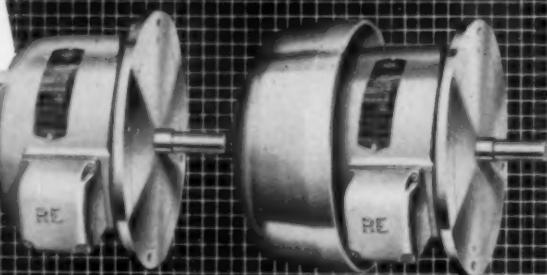
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Another
REULAND
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new PRECISION MOTORS for MACHINE TOOLS

These new motors were designed especially for powering machine tools. Their dynamic balance provides vibrationless running and their pleasing lines blend with the contour of the machine on which they are mounted. A typical example of Reuland cooperation and originality.

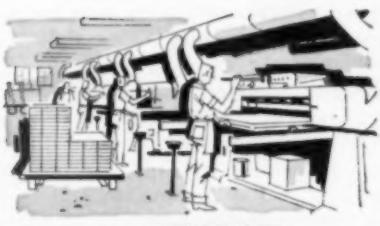
Write for Precision Motor booklet No. PM-1010. Also, free catalog of the complete Reuland line of standard and special motors sent on request.



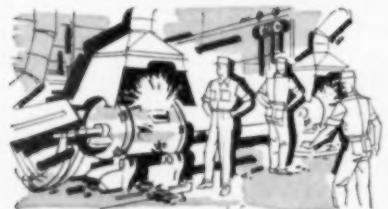
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MOTORS**

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- All-aluminum motor frames
- "Through-Shaft" magnetic disc brakes
- Spline-coupled hydraulic pump motor
- Foot mounted magnetic disc brake complete with bearings and shaft
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decade later the figure was 3,643. Alcoa had 50 at its meeting two years ago, 125 last year, over 200 this spring. Pennsylvania RR drew 600 two years ago, about 1,000 last year, well over 1,500 this year.

• **The Reasons**—Behind the trend are three main factors: the wide publicity on the part of the New York Stock Exchange, brokers, and financial institutions on the role of the small stockholder; a growing group of shareholders (women, and men who have retired) with time to attend meetings; and the conviction on the part of some companies (although strongly disputed by others) that the "big" stockholders meeting is an invaluable public relations tool.

Actually, only a handful of the 600,000 "corporations" in the U.S. hold elaborate meetings. And of these, it's only the 3,000 or so companies whose stock is listed on major exchanges, or active over-the-counter, in which there's enough interest to make attendance by an "outsider" stockholder (one who does not work for the company) likely.

Even in this group, the majority of companies are uninterested in wooing their "owners." It's only two years since the New York Stock Exchange made it a requirement for new listing that companies agree to solicit proxies—and over 50 of the Big Board companies still do not even do that.

• **Short and Dull**—And most meetings are still purely routine affairs to comply with legal requirements. Minutes of the last meeting and the annual report are submitted (actual reading is usually waived) and directors are voted for (although the outcome generally has been determined beforehand). One recent meeting in New York was clocked by a business reporter present at exactly 4 minutes and 5 seconds.

But the voice of the stockholder is growing louder, and things are changing. And many companies, of all sizes, now make it a point to urge stockholders to come.

Chesapeake & Ohio Ry. drew 3,300 at its meeting this year against 750 in 1956—and not by accident.

It held the 1957 meeting at Newport News instead of Richmond and tied it in with the Easter weekend.

Tours of the Jamestown festival were arranged by the company, three special trains were run to Newport News on the morning of the meeting, box lunches were provided, and an inspection of the company's facilities in the harbor aboard an excursion steamer and a ferry was scheduled.

• **Champagne Party**—In San Francisco, the annual meeting of Matson Navigation Co. is becoming an institution. This year Matson held its meeting aboard its new luxury liner, the Mari-



"Dependable?
It'll be running when
I'm on Social Security!"

A Merchant is known as an exceptionally dependable calculator that stays in the pink of running order. This is the result of its unique, constantly meshed proportional gears and continuously flowing dials. There's no stop and start—no shock or jar! Merchant engineering and craftsmanship mean longer uninterrupted service.

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**S. N. Rosenthal, President
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Tells How Business Magazines
Help Cover an Industry-Wide Market**

"Our indelible marking devices and Instantdry Inks are used in so many departments," says Mr. Rosenthal, "that a salesman can't hope to contact each prospect. We find the best way to introduce products is through advertising in business magazines. It's the most direct way—and the most economical way—to get our story to the people we want to reach."

Here's another example of "mechanized selling" at work. When you advertise in business magazines, you arouse interest in your product, create preference for it, free your sales force for the productive tasks of making specific proposals and signing orders.

IF WHAT YOU MAKE OR SELL is bought by business and industry, the place to "mechanize" your selling is in the magazines serving your specific markets. You will find you can usually do this most effectively in one or more McGraw-Hill magazines.

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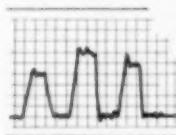


"Our product story is best told first by business magazines,"
says Sidney N. Rosenthal, President of Speedy Products.



ADDING YEARS TO HIGHWAYS . . .
IN MINUTES

with Cox & Stevens Electronic Scales



Longer life is being built into our highways as a result of truck axle load research carried on by state highway engineers. In the past, conventional "stop, wait and weigh" roadside scales collected only limited research data while truckers fretted at delays. Now, Cox & Stevens Electronic Scales, set right in the highway, record

axle loads, axle spacings, gross weights and speeds . . . instantaneously . . . while the trucks high-ball along.

Similar Cox & Stevens Electronic Scales are also used to detect overloaded trucks "on the fly." They permit equitable enforcement of weight laws . . . stopping only the violators . . . without even slowing down trucks properly loaded. One scale crew can do the work of several.

Cox & Stevens Electronic Scales are now installed in Iowa, Virginia, Minnesota and Oregon. They are a product of Electronic Signal Co., an important member of the Neptune group now serving virtually all industries.

NEPTUNE METER COMPANY, 19 West 50th St., New York 20, N. Y.

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toll collection equipment, electronic scales

posa. Some 500 stockholders heard the president's report in the ship's theater, watched a movie about its maiden voyage, were escorted on tours of the ship. Later they drank tea or champagne (not many took tea) from glasses floating an orchid, while listening to music by the ship's orchestra. They left clutching portfolios of framable water colors depicting exotic Matson ports-of-call.

Few meetings are quite that plush. But many companies are going out of their way to make more direct contact with stockholders. Westinghouse holds its meeting at a different place each year to get at more of its widely scattered 145,000 owners. This year American Machine & Foundry held simultaneous meetings in New York and Chicago—the chairman and the president presiding respectively at each, with meetings linked by closed-circuit TV.

- **Feeding the Investor**—Dozens of companies now serve food in some form. For the larger ones, the standard is the box lunch—two or three sandwiches, sometimes fried chicken, a packaged dessert, and a beverage. Medium-sized meetings—usually up to a couple of hundred stockholders—frequently go the luncheon route. Companies give careful thought to menus—too fancy (filet mignon) and stockholders carp about cost, too simple (hamburger) and they complain they're not getting their due. Western Air Lines gives stockholders its well publicized "champagne flight" treatment. The meal, served on airplane trays by flight stewardesses, goes to champagne, shrimp cocktail, squab stuffed with wild rice—accompanied with orchids and perfume.

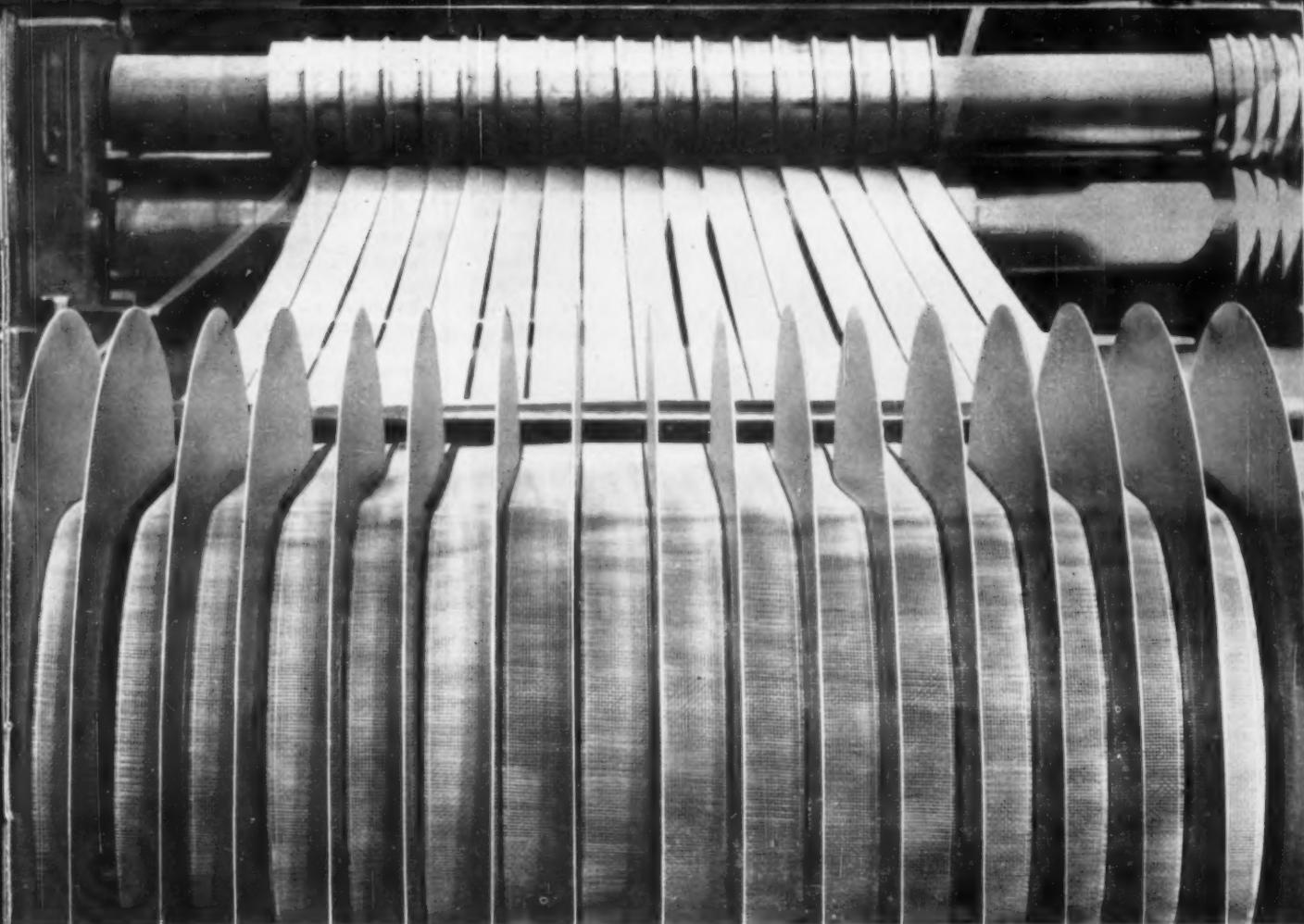
- **Souvenirs**—Souvenirs add to the enticements. Cigarette companies usually hand out cartons of all their brands and food companies distribute their products, too. Heavy industry, like Koppers Co. this year, offers such gifts as ice buckets.

Today it's common for stockholders to check ahead of time on added attractions before they decide to come. Companies who have not yet embarked on the trimmings trend frequently are told bluntly during meetings that they should—with invidious comparisons to competitors.

- **Mixed Delight**—Managements are finding the larger meetings something of a mixed delight—particularly for the executive officer who must preside. The head of a motion picture company, whose meetings occasionally get rambunctious, explains philosophically, "one day a year I have to take it."

But most seem to enjoy the by-play, and many are convinced that closer communication with shareowners is vital.

- **Handling Questions**—Techniques presidents say they use to handle questions vary. Some "answer every ques-



HOW WE GO TO ANY LENGTH...OR WIDTH...

to help you save money on wire cloth components!

• Wire cloth users are experiencing a couple of new reasons why it pays to do business with the Reynolds Wire Division of National-Standard.

Here's the idea. . . .

In blanking or forming wire cloth components, a roll of wire cloth 2 to 8 times normal length means 2 to 8 times as much production in a single run without a shutdown. It also means less waste and less handling!

Similarly, when cloth is pre-slit (as shown above) to exactly the width a customer really needs, this too results

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So these days Reynolds Wire is departing more and more from old established industry standards . . . producing wire cloth in continuous lengths up to 800 feet instead of standard 100-foot rolls . . . and furnishing pre-slit cloth as narrow as 1 inch wide and even less.

Why not talk with Reynolds about your wire cloth needs? If we can help you cut production costs you'll be ahead on every count...for there's no better, more uniform wire cloth than that you can get from Reynolds. Try us.

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General Electric uses

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Because there is little dusting at the discharge ends of the conveying lines, there is no need for the expensive and bulky dust collection equipment necessary on other air conveying systems.

The "FLUIDIZER" system replaces a more cumbersome, less efficient method of conveying which involved carting woodflour in 80 to 100 lb. bags to the various stations and then dumping them manually. General Electric engineers are now looking into other operations which may utilize more "FLUIDIZERS".

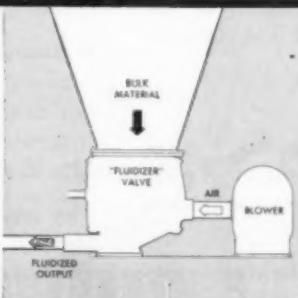
THE VERSATILE "FLUIDIZER" SYSTEM consists basically of the "FLUIDIZER" valve, source of air and conveying line. It is available in a wide range of unit sizes from a simple assembled package to a completely engineered system with switching stations, remote and automatic flow diverters, pressure switches, and many other Superior accessories and services.

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Chicago, Illinois
Franklin 2-3181

tion fully and honestly"; others admit to using the soft generality as often as possible; a frequent gambit is "we'd be delighted to give you full details on that after the meeting."

Most have found it's dangerous to insult, cut off, or give a sarcastic answer to any question. It not only makes the particular questioner unhappy, but also raises considerable resentment among the rest. There seems one exception to this rule—audience reaction to the small group of men known as "professional stockholders," like Lewis Gilbert, who holds a small amount of stock in a great many companies and attends over 100 meetings a year. Few managements resent his questions or suggestions—but it's not unusual for other stockholders, particularly elderly ones, to stand up, wave a cane, and quaver, "sit down, you darned troublemaker." The one answer managements have found it dangerous to give under any provocation: "It's none of your business." That always seems to make any number of otherwise quiescent stockholders want to make it their business.

One rule of thumb: barring complications like a proxy fight or dividend cut—the bigger the audience the smoother the meeting. But it's not unusual for a contestant in a law suit against the company to try to argue his case in open meeting or for an employee-stockholder to bring up a labor grievance. Almost as much a problem is the stockholder who insists on giving a long-winded and fulsome eulogy to management. These are hardest of all to cut off, and sometimes set up a chain reaction of more of the same.

If disputes do arise, audience sympathies are generally with management—unless the man presiding loses his temper, and then quarrels can flare up.

Sometimes stockholder behavior is erratic. Where box lunches or souvenirs are the order, it's fairly common to supply twice as many as should be needed. More than one officer has seen his "owners" stuffing shopping bags full of extra lunches and souvenirs.

The general experience is that first-timers tend to be mum, but get more vocal—with more pointed questions—every year. Many come primed with clippings from the financial press, and lists of questions, advice, and criticism.

• **Special Tactics**—Most companies going in for larger meetings are completely sincere in their desire to have more stockholders better informed about the company. But some still want both "good stockholder relations" and complete privacy for management.

One large company, headquartered in New York, holds its meeting in Flemington, N. J., which requires a subway to Jersey City, a train (one a day each way during working hours) to Somer-



Squirrels . . . and some men . . . do not wait for time and the killing frost. For to them, time is more than money . . . Time is LIFE.

Right now, companies who are battling skyrocketing costs are in a race against time — and the prize can be greater than money. It can be a matter of life itself.

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One way, a readily available way: Equip present machinery with auxiliary work units which will increase production or eliminate a costly operation . . . or both.

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*A smart executive
could learn a thing or two
in this high school*



High School, Westminster, S. C.
Architect: Harold Woodward

Note post and beam construction in this modern, well illuminated classroom.

Today's school administrators and their architects plan, design and build schools of maximum efficiency and aesthetic beauty and, at the same time, do it at costs which are easy on taxpayers' pockets.

The Westminster High School in South Carolina is typical. This school was built for \$7.69 per square foot by using contemporary design and modern timber products. Over \$130,000 was saved by using laminated timbers for beams, posts, arches. The completed structure was a study in beauty and space utilization. Classrooms, gymnasium-auditorium, work areas, all were beamed and arched with Wolmanized® pressure-treated, laminated wood.

If you are building where termites or decay are problems, or where high humidity, process moisture, and condensation are problems, learn a lesson from this high school. Build with Wolmanized pressure-treated lumber.

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ville, N. J., a bus to Flemington. But its big lunch and fancy souvenir draws up to 200 anyway. This company serves lunch first ("a good meal quiets 'em down," an officer says with a wink) then conducts a long business meeting. Stockholders don't have time to stay and ask questions or they'll miss the returning train.

Another company, with some stockholders who perennially ask questions—and sometimes embarrassing ones—solved the problem by inviting them to drive to the meeting with officials, encouraging them to ask questions then. Queries they have no objection to, they suggest be asked at the meeting, too. Ones they'd prefer not brought up in public, they answer in the car.

• **Purpose**—Companies that are bucking the trend wonder whether the bigger doings to get bigger turnouts actually serve their intended purpose. Some question whether many that turn out have any real interest in the company—or are simply looking for something to do. They point to cases like the outfit that offered lunch and a special program last year, drew almost 1,000, ran a straight business meeting this year, found less than 200 showed up. At the big C&O RR meeting this year, when president Walter Tuohy indicated the formal part of the meeting was over, there was a general stampede for the sightseeing boats—and the question period was cut short.

"In the small all-business meeting, attendance is 95% male," notes a business reporter. "At the big luncheon plus meeting, it's predominantly female. In both cases, probably half of the group fits the 'elderly' category. Check on the men that look in the middle bracket, like executives, and four times out of five you find they work for the company. Not many men can take time for a routine meeting."

• **Common Attitude**—A good many companies refuse to solicit attendance. One president sums it up this way:

"The sophisticated investor doesn't come—unless he's spoiling for a public fight. If he wants information, he knows it's as close as his telephone any working day. Maybe most investors today are small—but it's doubtful if the turnout at a big meeting is really representative."

"For one thing, most of them are local people—and stockholders are scattered across the country. If you publicize your party, you may get more resentment from the 99% who can't come than you get good will from the 1% that can. The fact that you have to offer food and entertainment to draw a crowd indicates that it's the idle, rather than the interested, that come to pass a day. They are not necessarily the ones who can help the company." END



Is this helping YOU sell Latin American industry?

If you are an advertiser in INDUSTRIA, the answer is yes.

Because the second man from the right is George Browne, INDUSTRIA's Editor. This particular photograph was taken at a meeting of the Pan American Council of the International Committee on Scientific Management in Santiago, Chile.

A specific meeting . . . or a specific editorial field trip . . . isn't of major importance. What is important is the *basic concept* of editorial service which prompts the trips.

In INDUSTRIA's case, the reason for the trip is to talk to operating management men in manufacturing plants, and to participate in meetings which deal with operating men's problems. If you take trips only to talk to the people who *sell* goods, you're not going to learn as much about the problems of people who *buy* them.

Because INDUSTRIA editors spend more time with operating management men . . . and because INDUSTRIA has the services

of full-time McGraw-Hill News Bureaus in Major Latin American areas . . . INDUSTRIA has intimate knowledge of the problems of operating management men in Latin American manufacturing and power plants. INDUSTRIA's editorial content, designed to help readers solve those problems, has produced the largest paid circulation of any industrial magazine in Latin America. And THAT's another reason why more and more companies count on INDUSTRIA as their basic medium to cover the Latin American manufacturing—power plant market.

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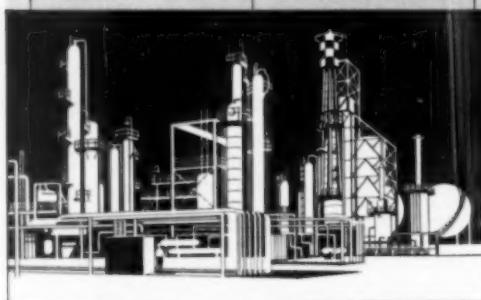


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In Management

FTC Sees Monopoly Peril in Merger Of Vending Machine Makers, Operators

Expansion in the vending machine industry—at least through mergers and consolidations—is being braked by the Federal Trade Commission.

Last year, FTC charged that Vendo Co., the leading maker of vending machines had violated anti-merger laws in acquiring a West Coast competitor, Vendorlator Mfg. Co.

Now the commission is after even bigger game: Last week it accused the nation's biggest operator of vending machines—Automatic Canteen Co. of America—of violating the anti-merger law when it acquired Rowe Mfg. Co. in 1955.

The Automatic Canteen-Rowe consolidation put together two of the three vending machine operators that do business on a nationwide scale, says FTC. In 1954 the two companies together accounted for sales of \$103.3-million or 16.3% of the total goods sold through vending machines.

What's more, FTC says, the merger put Automatic Canteen in a position to squeeze competing operators of vending machines—via control of production facilities. Before the Rowe acquisition, Automatic Canteen had no manufacturing facilities; but Rowe was one of the largest manufacturers. This means, says FTC, that Automatic can now "manipulate" the supply of vending machines formerly available to the industry from Rowe. Competitors are dependent on Automatic for machines, says FTC.

All in all, FTC says the merger may lessen competition or tend to create a monopoly in an industry whose expansion in recent years has been accompanied by creation of big companies through consolidations and mergers.

Construction Company Meets Its Payroll At Far-Off Sites by Teletype System

To cut overhead on its shifting and far flung construction sites, F. H. McGraw & Co., of Hartford, is experimenting with remote control payrolls.

The main office determines daily operating costs and prepares the weekly payroll for jobs 1,300 miles away, via a central computer and leased telephone lines. Thus, in Brewton, Ala., where 200 McGraw men are putting up a paper mill, time cards—which may vary in rate or hours worked for each man each day—and cost data are fed directly into a Teletype that feeds into machines in the main office. Come payday, the main office makes out the payroll, feeds the data into the Teletype, which fills in blank checks at the job site.

The company saves the expense of maintaining separate accounting and bookkeeping operations in the boone-

docks, where office help is hard to get, and can keep a closer watch on fluctuating daily costs.

Leasing of the telephone lines and the equipment to transfer information back and forth costs \$2,000 a month. That's much more than saving on any one site, but the company hopes to beat this by tying in other jobs to the same trunk line. Eventually 1,500 or more employees on various projects will be paid via one leased line.

Keener Named as Goodrich President

As W. S. Richardson Prepares to Retire

J. W. Keener, for the past year executive vice-president and heir apparent at B. F. Goodrich Co., was appointed president last week succeeding W. S. Richardson, who retires to Florida this August, but remains a director.

Keener, who is 48 years old, was at one time an instructor in economics and business administration at Ohio Wesleyan; he joined Goodrich in 1937 as a market researcher, and became successively director of business research, manager of the chemical division, assistant to the financial vice-president, assistant to the president, vice-president for employee relations, and executive vice-president.

He has served on a number of government boards in war and peace, has been adviser to the State Dept. on international rubber matters, and is a director of the University of Akron.

Management Briefs

For the first time in six years, the production curve for technical manpower in the U. S. has turned upward. Last year there was a 15% increase over 1955 in bachelor degrees in science, and 17% in engineering, says the Office of Education. There is little increase as yet, however, in the at least equally vital area of advanced degrees.

The Twentieth Century Fund is coming forth this July with a digest of its widely applauded 1955 study, *America's Needs and Resources: A New Survey*. The 124 page booklet, "U.S.A. New Dimensions" (MacMillan \$1.50), is in effect a handbook of the economic system for executives and students.

Two mergers were officially O.K.'d last week. Cerro de Pasco Corp., the non-ferrous metal miner, is expanding vertically by stock exchange acquisition of Lewin-Mathes Co., St. Louis copper refiner. Dixie Cup Co. stockholders have cleared the way for their company's merger into American Can Co.

CHARTS OF THE WEEK

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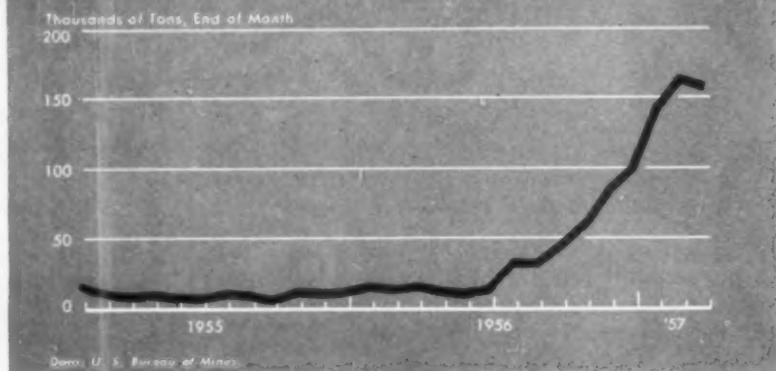
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BUSINESS OPPORTUNITIES

may be either offered to, or solicited from America's management men through BUSINESS WEEK'S own classified advertising section . . . "clues"

Aluminum Stocks



Big Jump Over Yearend Level

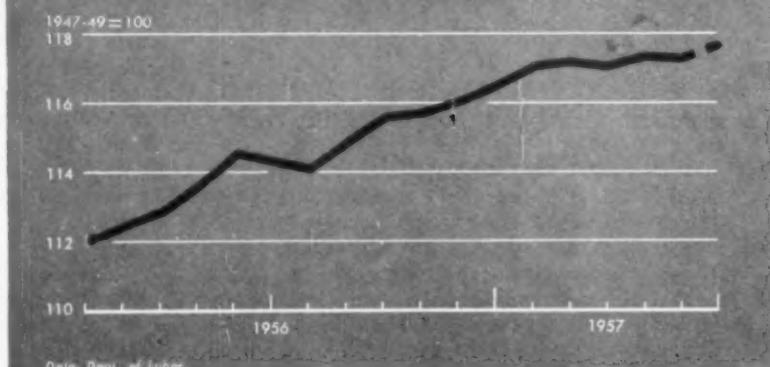
Aluminum inventories at producers' plants were close to 161,000 tons at the end of March—up more than eight-fold from the bare-bones level of a year earlier. Stocks at the end of March were nearly 60% above yearend levels even though first-quarter production lagged 40,803 tons behind the preceding quarter.

Primary aluminum used during Jan-

uary and February amounted to 202,260 tons, about 75% of the 266,088 tons produced. However, March consumption of 141,529 tons was nearly 6,000 ahead of output.

Production of primary aluminum, sharply reduced in February as a result of low water supplies, has picked up only modestly because of the fall-off in demand.

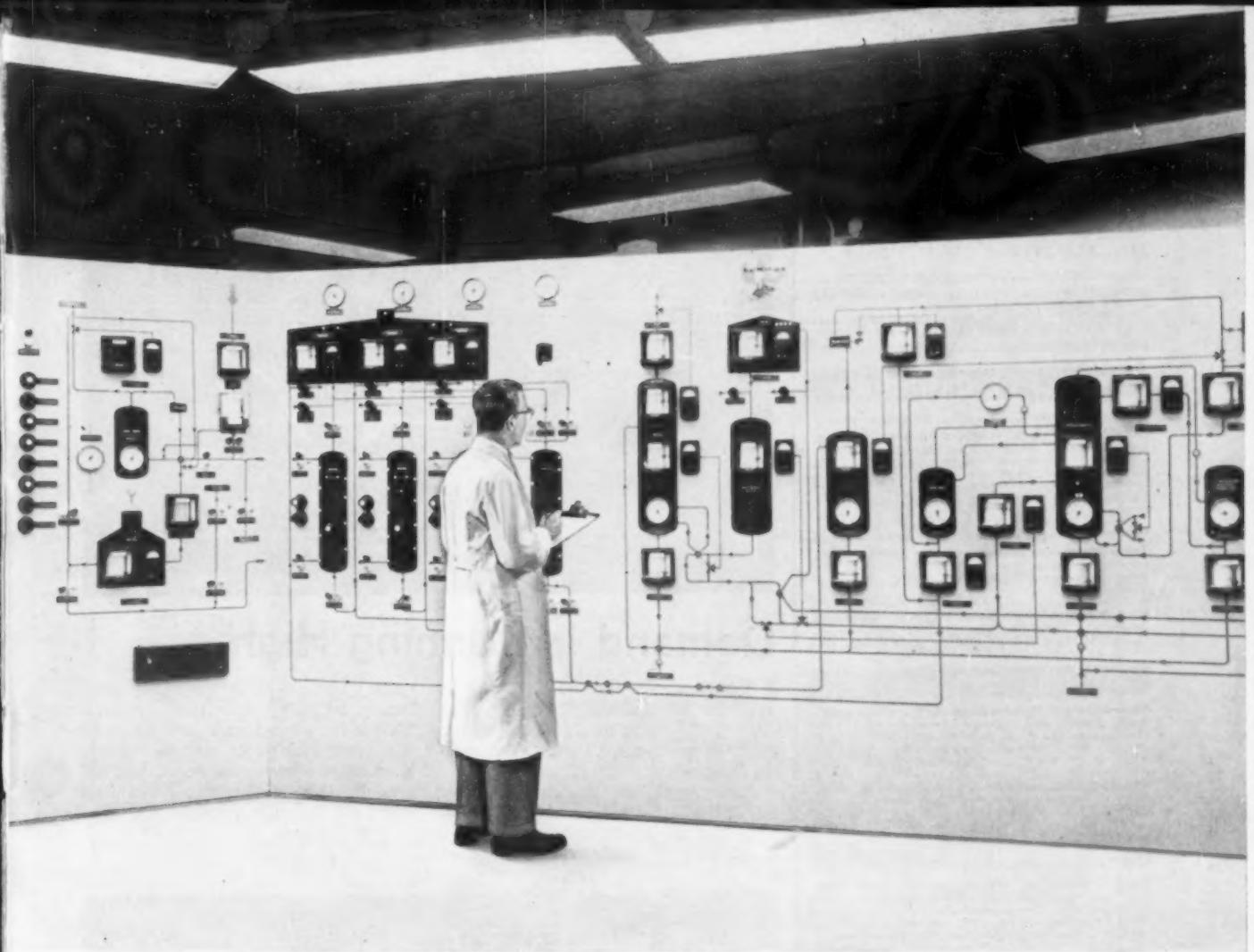
Wholesale Prices



On the Rise Again

Wholesale prices at the beginning of this month resumed the upward march that had been going on for over a year and a half. After reaching a peak of 117.2% of the 1947-49 average in

April, they slipped to 117.1 in May (due to lower prices for farm products and processed animal feed). In June, farm prices regained the April level and foods advanced sharply. The prices of



When CONTROL is your problem . . .

Automation is control. The ability of processing equipment to produce at peak efficiency and capacity is highly dependent upon the control system used. That is why Manning, Maxwell & Moore pioneered and developed an all-electronic process control system. This new approach to the control of temperature, pressure, flow and other variables overcomes many limitations of conventional systems. As a result, product quality is improved, production increased, operating costs reduced.

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ucts and experience to help you. We produce control components for aircraft, missiles and rockets, and valves to control flow. Personnel and plant facilities are protected by our safety and relief valves. To measure pressures and temperatures, we manufacture industrial gauges and thermometers. In the field of load handling, our cranes and hoists help industry keep materials on the move safely and economically.

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clues:

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SAN FRANCISCO: 68 Post St. (4)

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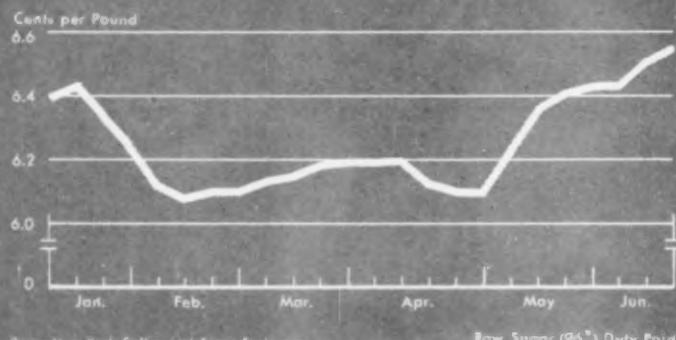
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commodities other than farm and farm products were unchanged in early June from their May level. At the middle

of June, the index stood at 117.5.

Prices now are about 1% above the level prevailing at the end of 1956.

Raw Sugar Price



Demand Is Running High

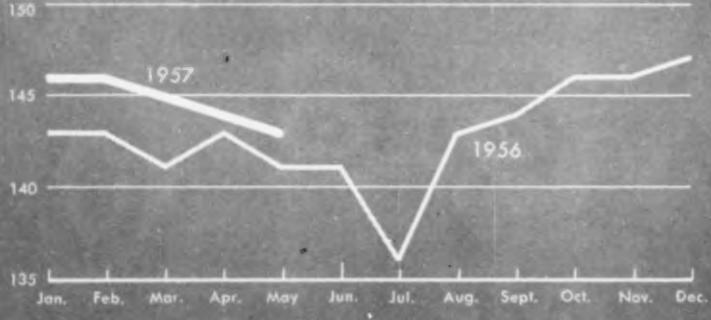
The domestic price of raw sugar at mid-June reached \$6.55 per 100 lb. at New York—the highest since October, 1952. It was pushed there by stepped-up demand.

As a result, the Agriculture Dept. raised the sugar import and marketing

quota 100,000 tons, bringing total supply for 1957 to 9.1-million tons. This is the second such increase so far this year. The quota originally set at 8.8-million tons, was boosted 200,000 tons in January. Last year the final quota was 8.9-million tons—a new high.

Industrial Production

1947-49 = 100 Seasonally Adjusted



Still Drifting Downward

In May, production of the nation's mines and factories dipped slightly to continue the downtrend that began in March. The Federal Reserve Board's preliminary industrial production index for May, after seasonal adjustment, was 143% of the 1947-49 average. That's four points or approximately 3% below

the peak reached in December, 1956.

FRB noted that during May there was a further decline in the output of durable goods. Nondurable goods production was unchanged from April, after a two-point downward revision of April's previously reported new high of 132.

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The Court's New Consistency

Although individual Justices swung from one side to the other, there is a certain unity of thought in the majority position of the Supreme Court in the three momentous cases decided last week. Put simply, and perhaps too baldly, the Court was consistent in its zeal to protect the lesser against the larger power. Its bias remained consistent with the views it made law in the earlier du Pont case where its concern to protect the consumer and the smaller competitor of an industrial giant threatens to make hash of long-accepted business practice (BW—Jun. 17'57, p200).

In last week's three cases it held for an individual witness against a Congressional committee (Watkins); for officials of the Communist Party of California against the Justice Dept.'s invocation of a drastic federal antisubversive statute (Yates et al); and for a Wisconsin employer against a labor union (Teamsters Local 695).

Loosing a Storm

It was the first two of the three decisions that loosed a storm. The line of interrogation of Watkins by the House Committee on Un-American Activities that the Court ruled unlawful was designed to expose Communist affiliations of people he had previously known. And reversing the conviction of Yates and her associates under the Smith Act was based in large part on the finding that what is done by Communist Party functionaries is not incitation to illegal acts, but advocacy of certain ideas. There were, of course, many other elements in the two cases, but these matters seem central.

The Court's decisions will certainly necessitate a recasting of the procedure of Congressional inquiries. To meet the constitutional test now applied, the committee's mandate to inquire—a mandate formulated by Congress—must not be flawed as this one's was by vagueness. And direct pertinency of the information the committee seeks to the mandated purposes of its inquiry will determine whether a question must be answered.

Although both of the requirements put a more exacting burden on Congress and its committees and call for a more difficult and disciplined procedure, they seem hardly to merit the charge in Clark's lone dissent that they are "unworkable."

Nor does the implication in Clark's dissent in the Yates case seem justified. Here, he seems to be saying that the majority view renders us vulnerable to domestic Communists. Taking off from the Clark opinion, one newspaper headed its editorial on the decision, "Communists, Come and Get Us."

In actual fact it is events, not argument, that make or unmake Communists. The Depression, the

period of Soviet-American amity, the Russian claim to anti-fascist leadership, to peace leadership, to humanitarianism—before these ended or were exposed as egregious sham they fertilized the ground for Communist recruiting. Prosperity, the Nazi-Soviet pact, manifest Russian imperialism shook people off the Red Express as no pleas or polemics ever could. It is history, much more than legislation, that has decimated the American Communist Party. Hungary was a far graver crisis for the party than the passage of the Smith Act.

Because history will not suspend nor events stay static, it cannot be said that the battle with Communism for the American mind is won. But we are much further ahead than when breadlines were commonplace, when Russia professed to be the world's only fighter for freedom during the Spanish Civil War, or when credulous people who believed the retreat from Stalinism was genuine were educated by the agony of Hungary.

The Yates decision permits some distasteful people to escape punishment for promulgating their distasteful ideas, but American society will not reward them by being more easily persuaded to their inhumane doctrines. Our espionage and treason laws seem to be effective, our citizenry more sophisticated; a recrudescence of Communist strength will not flow from the Court's action.

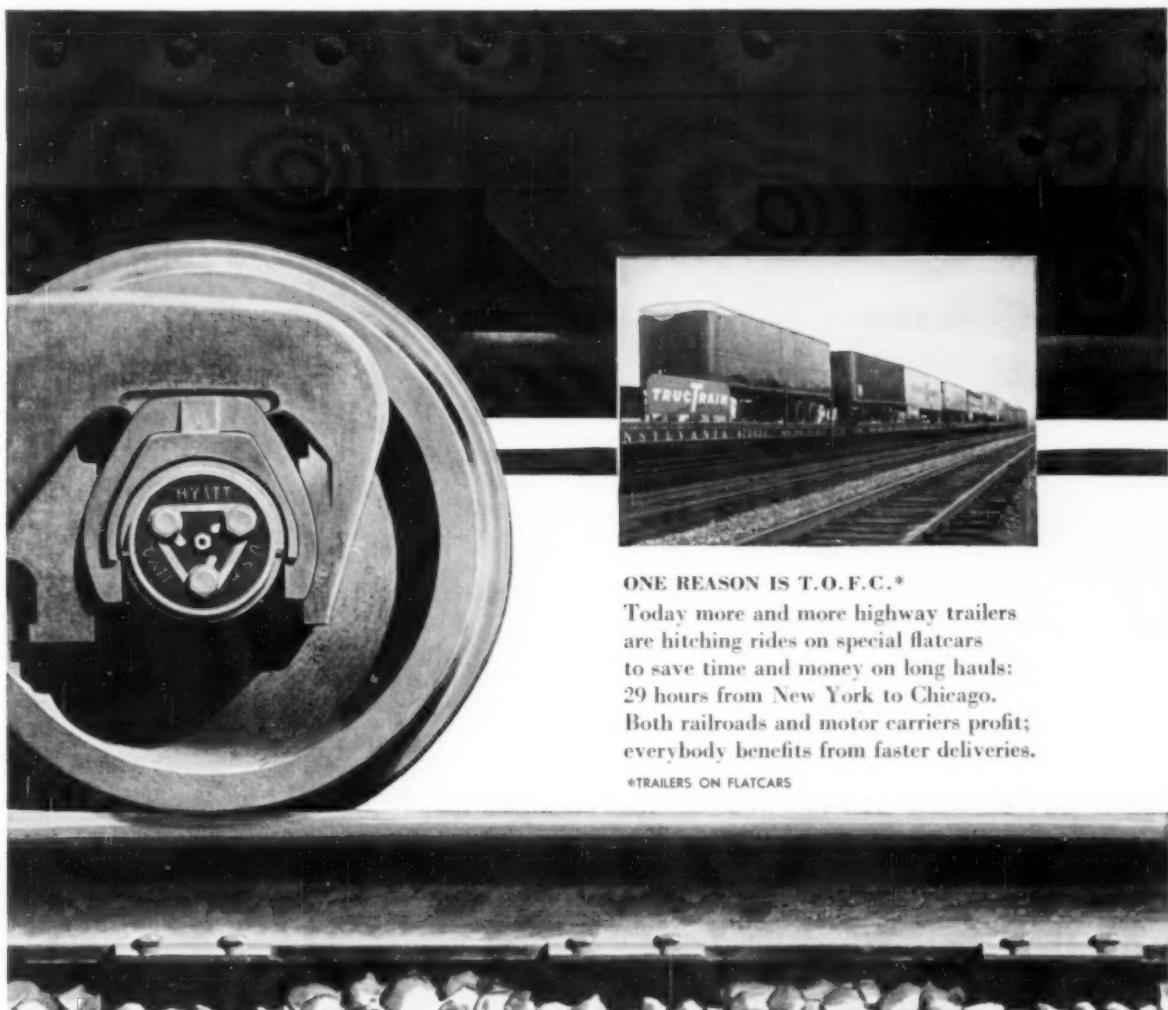
Because the third major case the Court decided last week did not touch the explosive Communist issue, it got much less attention. It is, however, substantively important, and significant because of what it tells of the tenacity with which the present Court holds to the "Little-against-the-big" line.

In this case, too, the language of the dissent was unrestrained. A "formal surrender" Douglas, for the minority, called the Court's action in sustaining an injunction against peaceful picketing. The majority obliterated the notable Thornhill doctrine that held picketing was protected activity under the free speech and free press guarantee in the Bill of Rights. The Court now holds that even orderly, peaceful picketing is coercive and in the absence of a labor dispute cannot be permissible on grounds that it communicates information.

Such an idea suggests that the Court's liberalism has a cogent contemporaneity. It recognizes that a labor union can now exercise oppressive power; that in many instances it is labor that is big and strong and the employer small and weak. Douglas and the dissenters seem to suffer from a cultural lag; their minds still dwell in a vanished era when it was the union that was the lesser power and needed the law's supporting hand.

The Court is surely controversial. But it does seem within its realm of reasoning to be consistent.

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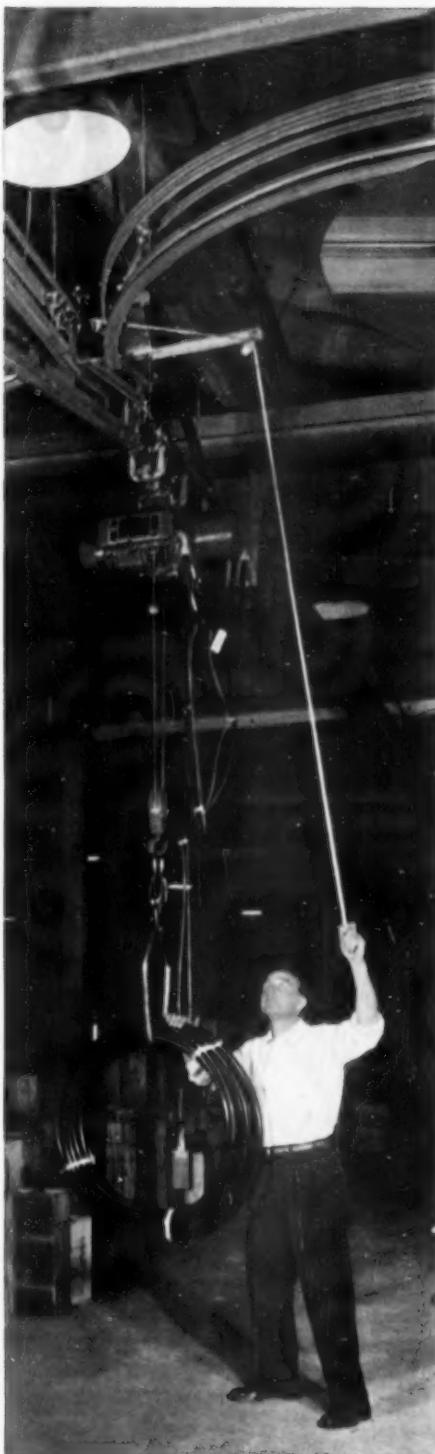
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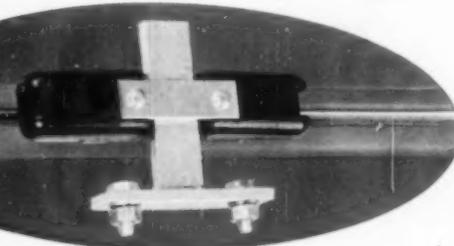
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